EEC budget talks break up in disarray, Page 2

EUROPE'S BUSINESS NEWSPAPER

Monday January 19 1987

D 8523 B

World news

Iranian Marconi, troops on BAe win outskirts £90m of Basra

metres of the suburbs of Basra, the strategic Iraqi city, after wiping out two Iraqi battalions in fierce fighting. It said scores of Iraqi troops ing. It said scores of Iraqi troops were drowned when they tried to flee the fighting south of the Shatt

At the same time, Iran "strongly rejected" a statement by the UN Security Council calling on both Tehran and Baghdad to stop fighting and talk peace. It said the call came when "our nation has raised its powerful arm and put the aggressor in its place."

Golden Temple raid

Indian police and paramilitary troops arrested six suspected extre-mists and detained 54 others in a surprise midnight raid on the Golden Temple complex in Amritsar, bringing strong protest from Sikh religious leaders.

Jail for Ecevit

Former Turkish Prime Minister Bulent Ecevit was sentenced to 11 months' imprisonment for speeches he made during a by-election cam-paign last year. Page 3

Invasion ruled out

Honduran President Jose Azcona told Spanish newspaper Disrio 16 that he had no plans to invade neighbouring Niceragua and would not allow US troops to use his country for an attack against the San-

Dissident berred

imma Meiman, 33, wife of Soviet dis-sident Professor Naum Meiman, left Moscow for the US to have band was refused permission to ac-

Soviet sackings

Thousands of Soviet energy officials were sacked or disciplined for embezziement and bribery in 1985 and the first half of 1988. A senior Moscow official gave the figures as 633 sacked, 7,000 disciplined and 8,365 who had compensated the state for their crimes.

Aguino peace piedge

President Corazon Acuino of the Philippines received a flower and a pledge of peace from a Moslem re-bel leader when she flew to the troubled island of Mindanao to campaign for ratification of a new constitution. Tribunal rivalries

irish poli looms

The fate of the Irish coalition Government will be decided at a Cabinet meeting in Dublin tomorrow when a Labour Party withdrawal seems a possibility. That would

mean a general election, probably in mid-February. Page 16 Ship lost off Spain Rescuers have little hope of finding

18 crew from the Maltese cargo ship Kythera Star which in a storm 53 miles off Barcelona. The Spanish Navy rescued two people. Bologna trial opens

The trial of 20 people charged in connection with the 1980 bombing of the railway station in Bologna, in which 85 people died and 200 were injured, opens in Italy today.

Space ship docks

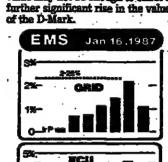
A space cargo transporter carrying supplies for a new Soviet mission docked successfully with the space station Mir, Tass reported. Last year, two cosmonants spent 125 days on Mir.

Nato deal

WEST GERMAN companies are negotiating with the Soviet Union about selling two small nuclear power plants in a deal that could be orth between DM 1bn (\$545m) and DM 2bn. Page 3

EUROPEAN Monetary System: The D-Mack continued to improve in the EMS last week mainly because of renewed dollar weakness. The dol-West German seized

A West German named by newspapers as Rudolf Cordes, a manager with Frankfurt-based chemicals company Hoechst, was kidnapped in Beirut, it was seen as possible retalization for the arrest in West German delication for the arrest in West German of a Lebanase engaged of partities relicated the arrest many of a Lebanase engaged of partities relicated the arrest many of a Lebanase engaged of partities relicated the arrest many of a Lebanase engaged of partities relicated the arrest many of a Lebanase engaged of the arrest many contracts and the contract many of the arrest many of the arre many of a Lebanese suspected of parities relieved the pressure on involvement in the TWA hijacking the French franc but there was already concern that the relatively modest changes in each currency's



agreed to buy a Miami TV station for \$270m - \$135m less than was offered for the station last summer in a clear indication of a shump in the values of television stations.

SHEARSON, Lehman, America Express, the Wall Street securities and investment banking group, is in an advanced stage of negotiations with Cofide, master holding company of Carlo de Benedetti, to form a joint company in Italy which would market a broad range of financial services. Page 20

SWITZERLAND: Leading banks

BOWATER INC, US papermaker, reported a fall of almost a third n net profits for the final quarter of 1986 to \$13.93m compared with \$20.71m, but described the period as the "immaround we have been awaiting all year." Page 20

WESTERN UNION, heavily indebted US telecommunications group which has been seeking ways to avoid bankruptcy, decided to pro-ceed with a financial restructuring plan backed by a partnership in-volving Mr Michael Milken, head of junk bond trading at Drexel Burnham Lambert. Page 15

Afghan rebels spurn ceasefire with attack on vital stronghold

BY JOHN ELLIOIT, WITH THE MUJAHIDEEN NEAR KHOST, AFGHANISTAN

CRIES of "Allah akbar, Allah ak- "This is the Jihad (holy war) of Is-

equipment can have left them and their leaders in no doubt that the resistance fighters intended to celebrate the first day of the proposed ceasefire with a battle which would ceaserrs with a battle winch would show the world they wanted no compromise with the Kabul regime of Mr Najib Ullah, or with Mr Mikhail Gorbachov in Moscow.

bar" - "God is great, God is great" - lam and communism, and while wetted from hilltop gun positions the eastern Afghanistan ghanistan, we will not put down our plains of Paktia Province last arms. So there can be no ceasefire."

Thursday as groups of resistance fighters triumphantly broke the Soviet offer of a six-mouth ceasefire in the seven-year-old Afghan war before it was more than a few hours old.

A thousand feet below, on the dry desert plain around the strategic city of Khost, Afghan and soviet troops could not hear the cries from the Mujahideen — holy warriors—nor the cheers of "Zindabad" when a shell landed on or near its target. But the persistent bombardment of Soviet gun positions and military equipment can have left them and After an hour of Mujahideen as-

saults, the Soviet forces abandoned sants, the sover three statutes the pretence of a ceasefire and started a two-way battle which continued throughout the day, culminating in two major bombing raids

THE SOVIET offer of a ceaselire and the formation of an intering government of national reconcil-lation in Afghanistan has been totally rejected by the seven main Mujahideen resistance groups based in the Pakistani groups based in the Pa border city of Peshawar.

Issuing their first-over joint policy statement since their war against the Soviets began eight years ago, the groups described

guest of one of the Hezb-i-Islami (Hekmaiyar faction) resistance group, was one of at least three major breaches of the ceasefire orga-nised by different Mujahideen groups last Thursday in the south and east of the country. Here, military operations are not impeded at this time of year by the

of further north. The Khost area of Paktia Province, 20 miles from the Pakistan

avy snow falls which affect areas

the offers as "empty overtures".

At a rally in Peshawar on Saturday attended by some 78,000 Afghan refugees and resistance fighters, leaders made it clear that they were not prepared to compromise on the need for an unconditional withdrawal of all the 115,000 Scotch forces. the 115,000 Soviet troops in Alghanistan or on the removal of the existing Kabul regime of Mr Najibullah.

aspiring, but eventually unsuccessful, conquerers of Afghanistan, including the British and the Sikhs. They have wanted it because it lies at the start of one of the main valley routes into the mountainous inerior of the country.

Now, regular camel and mule caravans - carrying supplies which range from Kalashnikov rifles and RPG grenade launchers to meat and flour - cross from the Pakistan border town of Miram Shah, stop at Mujahideen mountain valley bases

of Jahadwal and Jhawar, then pass round the Khost plain for treks last- resistance group's adept public relaing as long as 50 days to distant retions operations, told me before I sistance groups.

called Sanaki which lies at the end of a range of hills looking over the 3,000 ft high plain. Soviet forces seized the post for

want to bold it for two strategic reasons. It closes part of the supply route, forcing the Mujahideen on to a lengthy mountainous detour. It also provides a starting point for a fu-ture attack on the Mujahideen hilltop positions and then on the two key supply bases of Jahadwal and Jhawar which the Soviets failed to cise. seize and hold after a battle of more

than 40 days last year. Commander Faiz hopes to launch a direct assault with other resistance groups on the Sanaki post soon. They staged last Thursday's ceasefire breach for a preliminary

A cynical diplomat, critical of this For the past two months, Mujaing on a rocketing. They will choose hideen and Soviet forces have where to take you carefully. You fought over a small hilltop post will go to a gun post, they will called Sanaki which lies at the end launch some shells at a nearby So-

viet-held hillitop and the Soviets will conveniently fire back. Undoubtedly Mr Gulraddin Hek-Soviet forces seized the post for the second time on January 3 and matyar, the group leader, chose the Khost area because he knew his resistance fighters had to launch an attack there on the Sanaki Post. But the battle that ensued was far more than a public relations exer-

> hills at about 8am, after a one-hour walk across almost bare brown and grey mountains past deserted and fire wAS first broken by scattered Mujahideen firing. By Sam the Sa-

Continued on Page 16

Morgan Grenfell says executive broke rules in Guinness takeover

BY CLIVE WOLMAN AND DAVID GOODHART IN LONDON

sent a letter to shareholders in response to speculation about further possible resignations of its directors cause of their involvement with

ing cases.

The bank says for the first time in its letter that Mr. Roger Seelig, the corporate finance director who

breached the UK Takeover Code has become so great that the larger saviour. and the Companies Act. commercial law firms in London There and the Companies Act.

ing at the home of Mr John Holmes, they were also acting for other peo-his former partner at Morgan Gren-ple." his former partner at Morgan Greenfell's securities operation. The inspectors of the Department of acting for the Argyll Group, said
Trade and Industry appointed to investigate his case are continuing
Meanwhile, senior City of Lontheir investigate his case are continuing

tive, and Mr Graham Walsh, its more more than 24 per cent. The lower chart gives each currency to expense in the sum of commitments made by divergence from its "central rare" against the European Currency Unit (ECU), itself a basket of Estropean currencies.

In the expense is an expense of them is an assonated the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-ciate of the publisher Mr Robert ment—it is understood that Mr Gul-c

MORGAN GRENFELL, the trou- information about transactions" in- the firms of solicitors which acts for

There is considerable resentme

The letter also discusses the reare no longer able to handle the defin the Argyll group over the means signation in November of Mr Geof-mand for legal representation. by which its own bid for Distillers frey Collier as joint chief of its secuNone is willing to take on more was pipped by Guiness. A senior extitles operations. Mr Collier, the letthan one client involved in the ecutive said lest night. It is not an ter says, "quite properly received same case. Mr High Pepplat, the attractive proposition to bid for confidential and market sensitive senior partner of Freshfields, one of Guinness or for them to hid for us."

US chides its trading partners on growth

By Stewart Fleming, US Editor, in Washington

THE REAGAN Administration is increasingly concerned about the failure of West Germany and Japan wolving the company. He resigned
Guinness said: "We had to turn because the breached Morgan Greenfell's rules on personal dealings.

Mr Collier has been charged with
same case and I suggested two othcommitting offences of insider dealing at the home of Mr John Holmes,
his ferms. But then we realised that
the were also acting for other peotrade deficit.

the corporate finances director who advised Guinness during its takeover hid for Distillers last year, failed to comply with the company is stablished policies and procedures. The bank, which previously claimed that it prospered from a of any Morgan Grenfell company claimed in that it prospered from a of any Morgan Grenfell company claimed in that it prospered from a of any Morgan Grenfell company claimed that it is not from that it is and the dollar down.

The chart shows the two constraints and a possible intervention by the Argyll senior in that understanced in the Administration's policy to talk the dollar down.

Meanwhile, senior City of London figures have brought with the company claimed that it is an fact of the Argyll senior claimed that it is in fact of the other than the company claimed that it is not from ments... Time is passing, the cur-rency markets will not wait for ever before they make the adjustments,"

the official said. He expressed frustration that West Germany "has never indicated the least willingness to take (economic) policy actions," adding that for the political and ideological free-west Germany's failure to meet its dom and reform which Ho so

Reagan faces difficult choice for Fed chairmenship, Page 2

Chinese leader acts to dispel reform doubts

BY ROBERT THOMSON IN PEKING

Communist Party, Zhao Ziyang, openness in China.

moved quickly yesterday to try to reassure the Chinese people and the world that the dramatic upheavals in the country's leadership do revival of the movement to let "100" forms have been killed off.

reforms have been killed off.

The leadership crisis has also created some uncertainty over Sino-US relations although the US. State department is understood to be going ahead with plans for Mr. George Shuitz, US Secretary of State, to visit China at the end of next month.

The leadership reshuffle followed an intense power struggle between struggle between thought contend." And academics are known to fear that those who made outspoken political comments in recent months will be punished.

Zhao, who is still premier, attempted to prop up shattered academics are known to fear that those who made outspoken political comments in recent months will be punished.

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Zhao, who is still premier, attempted to prop up shattered academics are known to fear that those who made outspoken political comments in recent months.

an intense power struggle between party is now mature. "We oppose reformers and conservatives which bourgeois liberalism, but we will resulted in a key reformer, Hu Yac-barig. General Secretary of the Communist Party and one of Deng Xiaoping's oldest and closest confi-litical intrigue, as it has yet to dants, being forced to resign in dis-grace on Friday.

essary for "stability" but diplomats expect continuing instability with further purges of senior officials and academics in coming weeks. Although Zhao is one of the leading proponents of economic reforms there is doubt about his enthusiasm

Continued on Page 16 strongly advocated. The changes will be most dismay-ing for intellectuals who have started to debate increasingly freely dur-

THE NEW leader of the Chinese ing the last year of unprecedented

not mean the economic and political flowers bloom and 100 schools of

The party is still engaging in po-litical intrigue, as it has yet to explain the reasons for the fall of Hu Yaobang as general secretary of "personnel changes" would not af-fect the party's direction.

That the party is still in a tough mood was shown by several ne paper commentaries strongly criti-cising the elderly writer. Wang Roowang, and the outspoken astro-phy-sicist, Professor Fang Lizhi, both of whom have already been disci-plined. Also, another worker, the 17th reported so far, was arrested

Continued on Page 16

Fermenta in fresh turmoil as managing director resigns

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

iont company, Soffer Swiss Options and Financial Futures, to become the country's first options exchange, due to open in a year.

Page 29

EURO-CLEAR: Value of securities settled through the Brussels-based clearing system rose 60 per cent last year to \$2,3350n, reflecting the savid growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change last week for issuing what the strand growth of the Eurobond and change into interim report without his knowledge.

Fermenta employees Mr Dahlberg come that this squature had been added to the interim report without his knowledge.

Following other statements by Ermenta employees Mr Dahlberg under the first turnoil at the weekend when Mr Sune Dahlberg, appointed many fermenta employees Mr Dahlberg under the first tage interim report without his knowledge.

Following other statements by Ermenta employees Mr Dahlberg under the first turnoil at the weekend when Mr Sune Dahlberg appointed many fermenta employees Mr Dahlberg under the first turnoil at the weekend when Mr Sune Dahlberg appointed many fermenta employees Mr Dahlberg under the first turnoil at the weekend when Mr Sune Dahlberg appointed many fermenta employees Mr Dahlberg appoint 66-year-old Mr Dahlberg under the first turnoil at the weekend when Mr Sune Dahlberg appointed many fermenta employees Mr Dahlberg under the first turnoil at the weekend when Mr Sune Dahlberg appointed many fermenta employees Mr Dahlberg appoint 66-year-old Mr Dahlberg appoint 66-year-old Mr Dahlberg appoint 66-year-old Mr Dahlberg appoint 66-year-old Mr Dahlberg appoint 66

less than 12 months.

Order in the battered biotectmongy
Last Friday Mr Dahlberg implied
group. As a temporary measure Mr
that his signature had been larged
that his signature had been larged
on Fermenta's eight-months interim report, which contained a misim report, which contained a misleading profits forecast for 1986. T
tot.

Order in the battered biotectmongy
Fromwing is expulsion from the
stock exchange - after a suspension
lasting an unprecedented five
weeks - trading in Fermenta shares
is due to start today on Stockholm's
lasting an unprecedented five
the new Fermenta managing direcis due to start today on Stockholm's
lasting an unprecedented five
weeks - trading in Fermenta shares
is due to start today on Stockholm's
lasting an unprecedented five
the new Fermenta managing direcis due to start today on Stockholm's
lasting an unprecedented five

and stock exchanges have set up a joint company, Soffer Swiss Options and Financial Futures, to become the country's first options ex-

last year to \$2,336hn, reflecting the rapid growth of the Eurobond and other international securities markets. Page 26

SAUDI ARABIA, a wheat importer until 1980, exported 1.1m towness last year.

BOWATER INC. US namermaker.

If on the Stockholm Stock Extrapts to shareholders.

Mr Dahlberg's resignation is a replaced by a new board led by Mr blow to attempts by Fermenta's Kjell Brändström, Industrivarden to attempts by Fermenta's Kjell Brändström, Industrivarden trivarden, the Swedish investment office its "almost unprecedented conduct," has now suffered five changes of managing director in Svenska Handelsbanken, to restore order in the battered biotechnology following its expulsion from the stockholm. Stock Extrapts to shareholders.

Mr Dahlberg's resignation is a replaced by a new board led by Mr blow to attempts by Fermenta's Kjell Brändström, Industrivarden trivarden, the Swedish investment.

Mr Brandström said at the week-town trivarden, the Swedish investment.

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Mr Brandström said at the week-town trivarden, the Swedish investment.

don't know how my name came to Industrivarden, which took over ket be there," he said. be there," he said.

His claim was disputed by Mr Refaat El-Sayed, Fermenta's now discredited former managing director and majority shareholder. Mr El-Sayed, who is on a visit to Hong Skope, said that Mr Dahlbarg's now increased that Mr Dahlbarg's now for said that Mr Dahlbarg's now factors and majority shareholder. Mr Dahlbarg's now factors are now factors and majority shareholder. Mr Dahlbarg's now factors are now factors and majority shareholder in mid-December in unofficial trading in London in the last few weeks the Fermenta as main shareholder in mid-December in unofficial trading in London in the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December when Mr El-Sayed defaulted on the last few weeks the Fermenta as main shareholder in mid-December Kong, said that Mr Dahlberg's conferences in recent days in the ing scores of damages suits from statement was "totally groundless." US, Italy and Sweden to try to con- angry small shareholders. Fermen-

One of Industrivarden's first ac-

He asked why Mr Dahlberg had vince them of the group's future viata is also being investigated by the not told shareholders earlier that hility.

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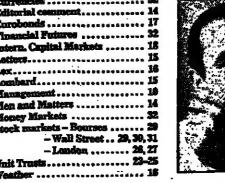
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_ CONTENTS

Companies 17,20 Eurobonds 17

Lombard......15 Men and Matters 14 Money Markets 32 Stock markets - Bourses 29



THE MONDAY **PAGE**

INTERVIEW Andrew Fisher talks to Bernd Eichinger, West German movie maker Page 8

Fed chairmanship: Reagan faces a difficult choice 2 Management: is Ever Ready set for lon-Editorial comment: China after Hu; Jap-Inside IBM: Big Blue ready to hunt with the pack 14 Foreign affairs: liberté, egalité, communautė 15 Lombard: economy's black hole 15 Lex: non-sterling banking capital 16

EEC budget talks break up in disarray

NEGOTIATIONS for a legal the Parliament this week, I EEC budget in 1987 broke up fear we will have to live with in disarray at the weekend, with the system of provisional budget ministers from the twelfths until May, June or member-states deadlocked on an July," he said. issue of principle over how to Provisional twelfths mean control spending on Community the budget finance is restricted

programmes.

The relatively tiny sum of Ecu 62m (£46m) in the Ecu 38-25bn (£27bn) annual budget split the north from the south of the Community, with Britain, France, West Germany and Denmark blocking one solution, and Italy, Spain and Greece blocking another compromise.

another compromise.
Officials now fear that the institutions of the Community will have to function on emerg-ency financing provisions until

May or June.
This would effectively ration the cash for spending on major areas such as agriculture, and completely block new policies in areas such as research and schools of the such as the such a sheries. It could also hit reform plans for agriculture.

The outcome was described yesterday by Mr Henning Christophersen, vice-president of the European Commission responsible for the budget, as "very dangerous" because of e split. He appealed to the European

Parliament to try to break the deadlock by backing a compromise spending plan. Otherwise, he feared no decision would be taken until mid-year, "If no decision is taken by

each month to one-twelfth of 1986 spending on every dif-ferent spending line. Where no figure was included in the 1986 budget, no money can be spent budget, no money can be spent in the current year.

Mr Christophersen said the emergency financing system would mean a stop on recruitment of Spanish and Portuguese officials to boost their numbers since those countries

Another side-effect could be to prevent financing reforms agreed by EEC Agriculture Ministers last month, which in

the long-run will result in major savings. Both the beef premium, and compensation to farmers sus-pending milk production, are

ber states centred on whether to allow any increase in the "maximum rate" for the growth of most non-agricultural spending.

That rate was fixed according to a standard formula at 8.1 per cent and Britain, France and West Germany insist that it must be respected as part of budget discipline.

Final effort to avert **US-EEC** trade war

the increasingly bitter dispute Amstutz, deputy agriculture over lost US grain sales to secretary.

On Friday and Saturday final

last ditch effort at the end of closing the gap, complicated by the week to prevent outright the pressures of powerful farm trade hostilities from February lobbies on both sides.

to counter with import duties of between Ecu 42 and Ecu 55

The talks yesterday were headed on the European side by Mr Leslie Fielding, the director-general for external relations in the European Commission, and Mr Guy Legras, second largest supplier director-general for agriculture. Argentina).

US and EEC trade negotiators The US was represented by Mr met in Geneva yesterday to Alan Woods, deputy US trade launch a final effort to resolve representative, and Mr Daniel Alan Woods, deputy US trade representative, and Mr Daniel Amstutz, deputy agriculture

They have to bridge a gap talks take place in Washington over the level and type of compensation offered by the European Community for the loss pean Commissioners for of about \$400m to \$500m in US external relations and agriculture. sales of maize and sorghum, resulting from Spain's entry into the EFG last year.

Yesterday's negotiations, behind closed doors, are intended to pave the way for a jast-ditch effort at the end of last-ditch effort at the e

In spite of tentative ideas for The US has threatened to impose tariffs of up to 200 per cent on EEC exports such as gin, brandy, cheap white wine, cheese, ham and olives.

The community has promised say.

The US is demanding mostof between Ecu 42 and Ecu 55 favoured-nation access to the (£31 to £40.60) on US sales of EEC market for about 4m corn gluten feed and rice, tonnes in maize from all setting the scene for a trade sources, of which the US would get between 2.8m and 3m

> So far the community has offered a total access of 1.6m tonnes, of which the US might expect 1m to 1.2m tonnes (The

S African subsidiary sold

and car components manufac-turer, has sold its South African subsidiary for an undisclosed each sum to Powertech, a local electrical equipment manufac-turer, Jim Jones reports from Johannesburg. The subsidiary Johannesburg. The subsidiary operates maivly as an importer, distributor and service agent for Stromberg products.

Ties with Finland appear board of directors that the

STROMBERG, the Finnish products will be provided in electrical control equipment future by Powertech's manufacfuture by Powertech's manufacturing facilities. This will ensure continuity of after-sales service for Stromberg products. says Powertech.

AP adds from Baltimore: Black and Decker has likely to be loosened as company seek a buyer for its technical support for its South African subsidiary.

Brazil in dilemma on **IMF** role over debt

BRAZIL returns to crucial shazil returns to crucial debt negotiations today with the Paris Club group of sovereign creditor countries knowing that the outcome will have a profound impact on talks due soon with commercial banks.

Contral to the discussions will be whether the International Monetary Fund should be involved in any new deal on the roll-over of principal and interest payments.
Last month, the Paris Club
took the unprecedented step
of agreeing outline terms for

of agreeing outline terms for the rescheduling of \$3.2hm (£2.1bm) of Brazilian country-to-country debt, due in 1985 and 1986, without the imposition of an IMF economic programme. Normally, such a programme is arbitrary.

Officials of both sides must now settle the fine details and devise terms for the rescheduling of a further \$3.5hm in Paris Club debt, failing due this year.

Braxil's commercial bank creditors, who hold the vast bulk of the country's \$104bm

bulk of the country's \$104bm liabilities, will be watching closely to see if, once again, the IMF is excluded from playing a part in the final

Whereas last June the com-mercial banks looked ready to agree a deal without IMF involvement, the recent sharp decline in Brazil's trade balance and foreign currency reserves and the resurgence of inflation has raised wide-

The Brazilian Government, committed to growth policies, has long rejected my role for the IMF on the grounds that previous fund programmes imposed politically-intoler-able ansterity and recession.

Last week, Mr Fernac Bracher, the central bank president, visited Washing-ton and New York to sound out views on a loan of \$2bm to \$4bm, needed to meet current interest payments.

During the visit, he was moted in all the major Brazilian newspapers as say-ing that the IMF might have to have a role in the multiyear rescheduling agreement the Government is seeking.

Nevertheless, the IMF question has immehed a debate within Brazil as to whether dogmatic exclusion of the fund is desirable if its duced remittances abroad. The growth-oriented rescheduling package agreed with Mexico and a more sympa-thetic approach to debter countries from the US Gov-ernment has led some to argue for an accommodation with the fund.

Ecuador agrees to kidnappers' demands

President Leon Febres Cordero, of Ecuador, who was held by Air Force commandos at the Taura military air base for 12 hours on Friday, said he had agreed to the kidnappens' demand in order to avoid further bloodshed and safeguard the lives of the other hostages, Sarita Kendall ether hostages, Sarita Kendall reports from Quito. The President was shown on The President was shown on television at the air base dietelevision at the air base dis-tating a statement ordering the release of former Gen Frank Vargas Pazzos, Air Force commander, and guar-anteeing that no action would be taken against the rebel commandos. Gen Vargas led an insur-

rection against the Govern-ment last March and was

awaiting sentence by a mili-

Richard Gourlay examines the background to recent clashes in the Philippines

Tribal rivalries trouble Aquino

THE RECENT exceptionally bloody outburst of fighting in the Philip-pines has more to do with long-standing tribal rivalries than with any concerted attempt to topple President Corazon Aquino, whose main problems are the recurrent reports of unrest in some factions of the military. Nevertheless, Mrs Aquino must

Nevertheless, Mrs Aquino must keep the lid on these rivairies in the southern part of the Philippines because repeated violence is just the excuse dissident military groups could use to argue that the cease-fire is not holding. Communists are regrouping and that Mrs Aquino should go before its is too late.

The situation is particularly sen-sitive now, in the final run-up to the referendum on February 2 on Mrs Aquino's planned new constitution. This will not only give her a six-year presidential term but also proposes some self-determination for the troubled southern island of Mindanao where the tribel rivalries are at their worst.

Last month, for example, troops in Isabela, Basilan Island, watched as 200 Moslems from the Yakan tribe fought a pitched battle with followers of a local political leader, Mrs Einorita Tugung, from the Tau-

sug tribe. Before the army could persuade the Yakans to fall back, dozens of shops and houses had been destroyed and a public market had been

ed and a public market had been burnt to the ground. The incident that caused the at-tack – the alleged killing by Mrs Tu-gung's followers of three Yakan leaders – is typical of the tribal feuding that has enrited Moslams in the southern Philippines for can-turies

This sort of rivalry was behind a burst of attacks last week by Moro Islamic Liberation Front rebels in Maguindanao and Lanao provinces of Mindanano that left more than 30 dead in the worst violence in 10

The Sulu archipelago, Tewi-Tawi,



Moslem rebel fighters join ceaselire talks after five days of clashes in Mindanso, southern Philippines

claim that these lands belonged to many, including senior military of-their ancestors before Christian col-ficers based in the Moslem areas,

the threat or the promise of pirates on the horizon at any time. Ties, if they exist at all, are stronger with Moslem Malaysia and the Arab world than with Manila.

President Aquino's assumption of power last Pebruary awakened
Mosiem hopes of self-determination
for the Moro people. Breaking protocol last September, she went to
Tawi-Tawi to meet the leader of the largest Moslem rebel group, the Moro National Liberation Front, Mr Nur Mistari.

agreed a temporary ceasefire in the signist war that has bubbled sporadically for 17 years. In so doing she boosted the prestige of Mr Misuari who had returned from 12 years of self-imposed exile in the Middle East to test the temperature of his people.

scaled the ceasefire in Jeddah on January 3 when Mr Misuari anao are home to the country's 4m dropped his demand for full inde-Moslems who make up about 7 per pendence, agreeing instead to talk cent of the population. One issue further about regional autonomy.

onisers from the north settled in the Government ignored two other the early 20th century.

Moslem groups including the Milf. of Mr Hashim Salamat. detias last decades, smingling is a Ris troops from the Magninda-way of life and the azure seas hold nao of Cotabato broke with Mr Misuati, a Tausug from Sulu in 1977. soon after President Ferdin Marcos's wife signed the so-called

Tripoli agreement to end four years of bitter fighting. Mr Marcos successfully exploited factions - some say he engineered them - and avoided fully implementing the terms of the agreement that should have given autonomy to 13 provinces. The third group to split from Mr Misuari's MNLF, the Maranao from the Lanao provinces under Mr Dimas Pundato, was also absent from the Jeddah meeting.

The Milf's grenade attacks, ambushes of military units, shoot-outs with the MNLF and assaults on Government buildings last week was a cry to Mrs Aquino. General Cesar Tapia, in charge of military pines, and Mr Agapito "Butz" Aquino, Mrs Aquino's brother-in-law and regotiator with Mr Misuari,

tabato to campaign for a new con-stitution has persuaded the Govern-ment it has to negotiate with all

Moslem factions.

However, with the proposed new constitution "tying the hands of both Mrs Aquino and the Moslems" both mir riquin disk as according to an MNLF representa-tive who was at the Jeddah talks, few are confident a peacaful solution is in sight.
"I am airaid that if the Moslems

do not soften their position the talks will not produce a peaceful solution," Gen Tapia said this week-Mrs Aquino has refused a request

from Mr Misuari to suspend the clauses in the proposed constitution which refer to autonomy in Moslem Mindanao for fear of opening a Pandora's Box for requests for al-terations. As it stands, the constitution calls on the new Congress to legislate for autonomous regions in those areas of Moslem Mindanao where the people want them.

This will give the Moslams con-trol of a maximum of six provinces, less than was offered in the Tripoli agreement and even further from the demand for independence for

dropped.
Neither side has begun to define what it means by autonomy. The re-gion's size, functions, powers of taxation and the nature of their courts remain unclear. And many Christians in Mindanso are worried they might be subjected to Shia law as the Moslem fundamentalist Mr Salamat has hinted. It appears, however, that the Gov-

ernment by agreeing a shaky tem-porary ceasefire with the Milf comporary ceasefire with the Milf com-mander, Hadji Murad, has suc-ceeded in putting the lid on a prob-lem that could have escalated ahead of the February 2 plebiscite for the new constitution.

Longer term, the problem re-mains. "If the Moros do not contin-

Manila on full alert after coup plot

PRESIDENT Corazon Aquino di the Philippines ignored a coup plot which brought armoured cars, wa-ter cannon and several hundred government troops to protect the presidential palace yesterday.

She kept to her planned schedule
and left the capital to campaign in
the troubled southern island of Mindanao where serious tribai fighting has flared during the past

In Manile, the military remains on full alert last night with at least 300 soldiers on duty and barbed wire blocking some streets close to

The army had gone on full alert in response to reports of plans by a military splinter group to topple Mrs Aquino, who has already been the subject of two alleged coup plots both folled before they could

The situation was equally tense for Mrs Aquino's tour of Mindanao where the worst lighting in several years left more than 40 dead last

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A rebel Moslem group agreed to a ceasefire only one day before Mrs Aquino arrived to campaign for the referendum on her plans for a new constitution on February 2. This will be a crucial test of support for her in the country, and the legitimater of her presidence.

ers and fighter jets flew overhead as Mrs Aquino arrived in Cotabato City, escorted by armoured cars, to address a crowd of about 3,000 and to meet Mr Hadji Murad, commander of the rebel Moro Islamic Liberation Front

war aurus of not cominue to fight, maybe they will go the
way of the Moslems in Spain. We
have to generate our own guarantee
of survival," said Mr Paladan Bedron, a top adviser of Mr Misuari,
tion for talks in Manila.

USX and union

reach tentative

USA, the largest steelmaker in the US, and the United Steel-workers Union (USW) say they have reached a tentative accord for settling the longest walkout in the domestic steel industry's history, Reuter reports from Pittsburgh.

talks failed on August 1, the labour dispute has made idle the 22,000 workers who manned

agreement

Bid to revive Contadora peace process

BY DAVID GARDNER IN MEXICO CITY

THE SECRETARIES-GENERAL of its South American "support group" in neighbouring Honduras and Costhe United Nations and the Organi-of Brazil, Peru, Argentina and Uru-sation of American States (OAS) to-guey. feared escalation in the region's

Mr Javier Perez de Cuellar, the Peruvian-born UN chief, and Mr Joao Baena Soares, Brazilian leader gus. of the traditionally US-dominated OAS, today and tomorrow tour the five Central American capitals in an international attempt to revive the Contadora peace process.

IRAN yesterday rejected a call

by the United Nations Security Council for a ceasefire in the Gulf war and claimed its forces had advanced to within 500 metres of Basra, the second

"How can we negotiate or hold a ceasefire with a criminal like (Iraqi President)
Saddam (Husseln) who been achieved by the occupations on all international laws so savagely?" he asked.

The call had been made at Umm al-Towail and Bavarian.

day join Latin America's four-year-old affort to bring peace to Central America and to head off a widely motivated by US concern that its four Central American allies - Hon-duras, El Salvador, Costa Rica and Gustemala - may be drawn into

> The main obstacle to a negotiated settlement in Central America has been the Reagan Administration's implaceable hostility towards Nicaragua's ruling Sendinistas.

For the past six years Washing-The two men will be accompanied ton has financed, armed and The two men will be accompanied ton has financed, armed and by the foreign ministers of the original Contadora Group (Mexico, Coltra rebels in an attempt to overombia, Panama and Venezuela) and throw the Sandinistas from bases

For the past are years warming the contract of the whole leading the contract of the whole leading the Contract out of the whole leading the

Iran claims advance to gates of Basra

This has meant a constant risk

that border incidents would touch off a regional conflagration. In November, for example, the Sandinis-tas hot pursuit of Contra forces into tas' hot pursuit of Contra forces into

HonduHonduras provoked heavy clashes ras, for example, has turned its borbetween the two countries' regular der with Nicaragus into a lawiess,

raised its powerful arm and island, Fayyer, were captured 10-hour meeting with army put the aggressor in its place, at the weekend, according to commanders. INA said the endangering the future of an Iranian war communique.

estalogue of ideas (for resolving in-with ter-country disputes), some of San

plomat explained last week. He said the new mission would aim to convince countries such as Honduras that "there are alternatives to a US policy which is creating more prob-lems for you than it is resolving."

Contadora's promotion of a legally complex 21-point regional peace that an introspective Washington treaty has, meanwhile, stymied bilpreoccupied with the lrangate scanateral solutions. Contadora has produced a rich but heavily armed rabble to cope

Sandinista leaders have rep

USX's mills. In a joint statement yesterday, USX and the USW said they had reached a tentative settlement of their 170-day labour dispute.

Mr David Roderick, USX chalman, said: "Our objective from the hadroning of normals."

from the beginning of negotia-tions and throughout the work stoppage was to obtain a com-petitive labour agreement. The settlement meets that criterion." Mr Lynn Williams, president of the USW, said: "The union's primary objective of greater job security was essential for an agreement, and that objective has been met." No details of the settlement have been officially released, and must still be ratified by local union presidents."

FINANCIAL TIMES PINANCIAL TIMES

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While in Hamburg

Crest Hotel, Kapstadtring Atlantic Hotel, An der Alster Ramada, Große Bleichen

Stewart Fleming in Washington assesses the implications of speculation about the future of Paul Volcker

a time when "our nation has

Reagan faces difficult balancing act over top job at Fed

The initial controversy was stirrte! by reports last Monday that the White House was considering the appointment of Mr Beryl Sprinkel, chairman of the money supply growing monetary policy has been facilitated by the absence of infla-

whose term as board chairman, but not necessarily as a board member, expires in August.

The issue of his successor is coming to the fore as the Republican and Democratic parties turn their attention towards the presidential elections. Both parties share the conviction that economic issues waters. Both parties share the conviction that economic issues will dominate the campaign.

The White House and its Republican allies, however, fear the economy will not provide the support for their 1988 election campaign that it did in 1984.

Example, 1884 and 1884 example, 1884 and 1884 example, 1884 and 1884 and 1884 and 1884 example, 1884 and 1884 a In the past year, the US has Capitol Hill. lived a charmed life in econ-

THE Federal Reserve Board, omic policy terms. The trade the US central bank, found deficit has deteriorated drasitself back in the limelight last week after severs, months' ger a recession. In part at respite, an uncomfortable position which it is likely to occupy more frequently in the weeks ahead.

The initial controversy was stirrty by reports last Monday robustly.

Mr Beryl Sprinkel, chairman of tated by the absence of infaPresident Ronald Reagan's tionary pressures, stemming in
Council of Economic Advisers, part from a sharp decline in
to fill one of the two vacancies oil prices (which now seems to
on the seven-member governors' board.

The report sparked speculation about the future of the
fed chairman, Mr Paul Volcker,
whose term as board chairman.
What no necessarily as a hoard prices. exporters to the US

prices, exporters to the US absorbed much of the currency losses by allowing bloated profit margins to narrow. Now it is feared this phase is over.

Japanese exporters, for example, facing weaker profit-ability at home now that the The Fed governor, Mr Wayne





Power struggle: Paul Volcker (left) and Beryl Sprinkel

Angell, indicated last week he now senses that the White House strategy of devaluing the dollar to reduce the trade deficit and boost growth carries to result it increasing inflationary should defationary risks abroad). If this judgment is right, the

Should it, for example, gradually begin to adopt a less accommodative monetary policy to resist inflation at the risk of slower economic growth? Or should it stick to an expan-sionist monetary policy and run the risk that inflation will rise If this judgment is right, the class that inhallon will rise the gan. Mr Sprinkel, a to levels which nervous finantot the economic policy dilemmas cal markets are not expecting.

The judgment of whoever is the most extreme form of the diam performance of the past the diam will probably be suspicion by more expansionist-

It appears that Mr Donald Regan, the White House Chief of Staff, has been urging the appointment of Mr Sprinkel to fill one vacancy. Mr Regan's initiative on behalf of his long-standing associate was quickly interpreted as a pre-emptive strike aimed at lining up Mr Sprinkel as heir anoarent to

decisive in determining how the bank assesses these risks and responses to them. Those responses, in turn, will belp to determine who wins the presidential elections.

That the issue of the Fed chairmanship has arisen eight mouths before Mr Volcker's mouths before Mr Volcker's secretary, for one of the open respires is in part an accident of timing related to the two vacancies on the board. He is Mr Baker's Treasury has set its the two vacancies on the board. It is generally assumed he will administration, of timing related to the two vacancies on the board. It is generally assumed he will administration's side as it tries to discuss also express frustration at his proud independence, on display again last week as he repeated his doubts about the wisdom of a further decline in the dollar.

His long-standing reluctance to embrace the vision of bank regulatory reform, on which Mr Baker's Treasury has set its flower fields. under consideration. But leaks do not appear to have harmed the preferred candidate of Mr James Baker, the Treasury Secretary, for one of the openings on the board. He is Mr Baker's Treasury has set its Edward Reliey, a Texas banker. It is generally assumed he will be nominated to fill one of the to draw up a forward-looking domestic economic policy for

There is speculation that the other vacancy may be left open. Were it to be filled then if Mr Reagan wanted to replace Mr Volcker as chairman in August, rather than re-appoint him as in 1983. Mr Volcker would have to be asked to step down from his board appointment, which does not expire until 1992.

to draw up a forward-looking domestic economic policy for the President's last two years in office.
For the time being, with Fed

appointment of Mr Sprinkel to fill one vacancy. Mr Regan's initiative on behalf of his long-standing associate was quickly interpreted as a pre-emptive strike aimed at lining up Mr Sprinkel as heir apparent to Mr Volcker.

It was also seen as another sign that Mr Regan is reasserting his political influence and trying to expand it after having deal scandal.

It quickly became apparent that Mr Sprinkel has few supporters in Washington or on Wall Street apart from Mr Regan. Mr Sprinkel, a monetarist who has recanted the most extreme form of the dogma, is still viewed with suspicion by more expansionist-

Council for a ceasefire in the endangering the future of an Iranian war communique to commanders. INA said the endangering the future of an Iranian war communique to commanders. INA said the purpose of the session was to like that two Iranian battalions had been wiped out, two brigades had suffered from the victorious battles and the command heading franian Prime Minister, said his government strongly rejected offensive started on January 9 that the Iranian made in New York last Friday.

"How can we negotiate or hold a ceasefire with a criminal like (Irani President)
Saddam (Hussein) who been achieved by the occupation of three islands on the lasts."

"How can we negotiate or hold a ceasefire with a criminal like (Irani President)
Saddam (Hussein) who been achieved by the occupation of the said international transples on all international transples on the future of an Iranian war communique to that two Iranian battations had been wiped out, two brigades had suffered that two Iranian battations had been wiped out, two brigades had suffered that two Iranian battations had been wiped out, two brigades had suffered feats and the command headinguaters of two others captured in the assault on the two islands.

Last Friday Mr Rafsanjani is in the assault on the two islands.

Last Friday Mr Rafsanjani is air force had bombed several cities including Tehran, the told the weekly mass prayer meeting in Tehran that the international transplement the future of Basra was "not the axio Iranian capital, which was last meeting in Tehran that the international transplant is an iranian war communique of the weekly mass prayer in the a Mexico to cut oil exports MEXICO is to cut its daily crude oil exports by a further 30,000 barrels as part of its con-30,000 barrels as part of its contribution to Opec's efforts to shore up international oil prices, David Gardner reports from Mexico City.

Mexico, unlike Venezuela, is not a member of Opec. It joined the cartel's effort to boost prices by retaining cuts in exports of 150,000 barrels a day at the end of last year. Basra."

In Baghdad the official Iraqi single enemy aircraft had News Agency reported that struck a residential suburb, President Hussein had held a killing three people.

of last year.

Mexico's traditional oil export

"platform" was 1.5m b/d until
the oil market glut and price
collapse of last year caused it
to lose market share.

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Soviet economy shows strong development

mines in the Ukraine exhaust

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET economy devel grew by 7 per cent to 686bn cu. oped strongly in 1986, with metres. national income rising by 4.1

Per centand industrial output the 1970s because of delays in by 4.9 per cent, according to figures for the year just released.

Coal, which stagnated during the 1970s because of delays in bringing openeast mines on stream in Siberia as traditional mines in the Ukraine exhaust

bringing opencast mines on stream in Siberia as traditional mines in the Ukraine enhanced mines in the Ukraine enhanced mines of the economy, including industries such as oil and coal which had previously lagged, but output is being badly affected by the cold weather.

Mr Yegor Ligachev, the number two in the ruling Polithuro, told a conference that because of the "unprecedented cold weather," the economy was being seriously disrupted. He added: "a real threat has appeared of losing the momentum gathered in the economy in 1986."

Nevertheless, Mr Mikhai Gorbachev, the Soviet Leader, will be encouraged by the good economic figures and particularly by improved performance in the previously troubled energy and agriculture sectors, which together absorb a large proportion of Soviet capital investment.

The output of oil and gardent in the few sectors of the economy to show a fall in 1986. The drop of 8 per cent on a turnover of roubles 130bin (\$130bin) in foreign trade is almost entirely secounted for by a decline in the figures for commerce between the Soviet trade currency exports. This reverses a drop in output in 1985, reflecting higher output in West Siberia and a reorganisation of senior management.

Gas, the brightest spot in the stream in Siberia as traditional mines; in the Ukraine enhancs in tensures, also increased output to 751m tomes.

The improved harvest, with grain production of 210m tons, against 191.7m tons in 1985, had been previously announced. Meat, milk and vegetable production were also up.

The good figures for oil and agriculture will be particularly welcome in the Exemilia because of the degree to which Soviet foreign trade has been previously announced. Meat, milk and vegetable production were also up.

The sood figures for oil and agriculture will be particularly welcome in the economy to foreign trade has been previously announced. Meat, milk and vegetable production were also up.

The spood figures for oil and agriculture will be seconomy to foreign trade has been previously announced.

BY DAVID MARSH IN BONN

W. German groups in talks

World Economic Indicators

on nuclear plant deal

to Con-

live

cut

Bonn MPs call for discount rate cut By Our Bonn Corresp

THE WEST GERMAN parliamentary grouping of the ruling conservative parties has called for a half point discount rate reduction, thereby increasing pressure on the Bundesbank, the German central bank. the West

Mr Matthias Wissmann, eco-nomics spekesman for the Christian Democratic Union (CUD) and Christian Social Union (CSU) grouping, said in a newspaper interview that a half point cut to 3 per cent would stimulate flagging demand.

A spessible decision to cut discount rate—which has already been strongly urged by the opposition Social Democratic Party (SPD)—could be made on Thursday at a regular meeting of the Bundesbank Council.

However, Mr Kari Otto-Poehl, the Bundesbank presi-dent, has already made clear the central bank's reluctance to cut discount rate because of above-target money supply

The Bundesbank position was backed up last week by Mr Gerhard Stoltenberg, the Finance Minister.

Meanwhile, the Bundes-bank is resisting proposals, outlined a week ago at mone-tary meetings in Brussels, to change intervention rules within the European Manetary

In the wake of the EMS realignment in which the D-mark was revalued by 3 per cent, Mr Mark Ryskens, the Belgian Finance Minister, has asked European central bankers to examine ways of increasing intervention within the system to check changes in currencies before they reach their permitted upper and lower limits.

The Bundesbank is oppos The Bundestank is opposed to any extension of the existing rules which makes intervention automatic only when currencies reach these limits.

Heavy obligatory intervention was triggered off ahead of the FMS realizations meet of the EMS realignment meet-ings when the French franc fell quickly to its floor facing the Bundesbank with huge

WEST GERMAN companies are negotiating with the Soviet Soviet leader, for East-West Conjugation and Research (HTR) nuclear power plants in a deal which could be worth DM Ibn-DM 2bn (£357m).

The discussions are running parallel to talks between Moscow and Kraftwerk Union, the Siemen-owned power plant maker, on modernising Soviet leader, for East-West Cooperation on new reactors the German HTR includes Brown Boveri. Deutsche Brown Boveri. Deutsche Brown Boveri. Deutsche West Germany already has in operation a 300 MW pilot HTR, and sees this as the basis for exporting two 100 MW reactors to the Chernobyl accident. The Bundesbank fears that the Chernobyl accident.

The nuclear talks are continuing in spite of the past few months' political difficulties between Bonn and Moscow.

Mr Udo Scharfer, managing director of the Essen-based engineering company, innotec, said the HTR discussions had been going on since mid-1985, They followed a suggestion by any new rules increasing the scope for "intra-marginal" intervention could increase the risk of disruptive inflows and would also lower the degree of monetary discipline faced by central banks with weaker currencles.

Since the EMS started operation in 1978, the Bundesbank has already fought off on a number of

Notably, take economic action one their currencies passed given intra-marginal trigge point, has now—above all because of the Bundesbank

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IBM to cut 1,000 European jobs

by early retirement, underscore
by early retirement, underscore
By comparison with the US,
where 10,000 of its 230,000
reduce overheads in its battle
to restore its legendary profitment, the European response

BY DAVID MARSH

reduce overnesus in its partic to restore its legendary profitto restore its legendary profitment, the European response to the scheme its modest-coaly about 1,000 volunteers from a total workforce of 100,000.

This rate of acceptance, however, partly reflects the fact that only three European countries, the UK, France and

IBM, the US computer group, redundancies.

Some analysis estimate that schemes. West Germany, the mainframe computers in which in Europe as part of worldwide cost-cutting.

The job losses, to be achieved by early retirement, underscore IBM's problems as it tries to where 10,000 of its 230,000 labour laws. In the UK, the plan which it are sluggish sales of large schemes. West Germany, the mainframe computers in which region's biggest computer mainframe computers in which schemes, west Germany, the mainframe computers in which region's biggest computer market, is not included.

Schemes being offered vary because of different national Digital Equipment, the workers are taking early retirement, the large days or of the content of the c

Italy to hold five referendums

ITALY'S constitutional court has approved the holding of five national referends on nuclear power and judicial reforms. The prospect of these referends, which by law must take place between April 15 and June 15, may create difficulties for the five-party coalition government of Prime Minister Bettino Craxi, already facing rising tensions which could result in early elections.

The referenda issues include three votes on the future of nuclear power and two on the reform of Italy's judicial laws.

The court's decision comes at an especially delicate time for the government, Mr Craxi as supposed to step down this and social partial p

Bayaria bid to save steel group

THE BAVARIAN state Government has stepped in to save the Maxhnette steel company in a further sign of the rising difficulties faced by West German steel jobs would be lost in the next two years.

The Maxhnette financing was steelmakers.

The DM 52m (£18.5m) resone action has come as the West German Iron and Steel Industry Association announced last week for DM 52m Maxhnette property

that between 15,000 and 20,000 stave off imminent financial collapse.

Maxhnette, the only Bavarian steelmaker and one of the biggest employers in Eastern Minister and leader of the Christian Social Union party.

The Bavarian state is buying for DM 52m Maxhnette property put in new funds.

because of different national labour laws. In the UK, the plan will allow workers aged 57 and over, with a minimum of five years' service, to take early retirement.

IBM's profits plunged 27 per cent in the third quarter of 1986 and are expected to remain under pressure.

Among the factors affecting

In Europe, IBM's sales are believed to have held up better than in the US. But it is still estimated to have lost market share in the past two years. It said in its third-quarter report that overseas markets were slackening.

Working week to be reduced in Denmark

THE WORKING week for 200,000 Danish engineering industry workers will be reduced from 39 to 37 hours over four years, according to a collective wage agreement concluded in Copenhagen last night. The first annual half-hour reduction will take place in September.

The agreement, which is the first in this year's round of collective wage bargain-ing in the private sector, is expected to set the pace for other blue-collar unions and probably ensures that no major labour conflicts will take place this year.

Bond prices on the Copen-hagen stock exchange rose by two full points on the news of the settlement.

of the settlement.

The deal includes as increase of 2 per cent in the hourly wage rates in 1987 and 1988, but as the agreement also allows for local wage adjustments, the total increase is likely to be somewhat higher. The metal workers' union is suggesting that wage rates may increase by about 4 per cent.

speeches By David Barchard in Ankara THE former Turkish prime minister, Mr Bulent Eccvit, has been sentenced to 11 months 20 days in prison by an Ismir court for speeches he made during a by-election campaign

Ecevit is

sentenced

to jail for

last autumn. Mr Ecevit and other senior 1970s politicians are banned from returning to active politics until 1992, but in recent months the ban had been relaxed to the point where life Ecevit and other former leaders campaigned publicly on behalf of parties supporting

Mr Ecevit had earlier been Mr Ecevit had earlier been acquitted on similar charges in other parts of Turkey. In his speeches, made from a party platform standing alongside his wife who is chairman of the Democratic Leftist Party, the former prime minister did not directly invite voters to back the DLP.

Instead, he said it was ridiculous that he was legally obliged.

lous that he was legally obliged to vote for a party while not being allowed to support one in public. It was this remark to which the prosecutor took exception

exception.

The sentence was passed on December 29, but Mr Ecevit was only notified of it in the past

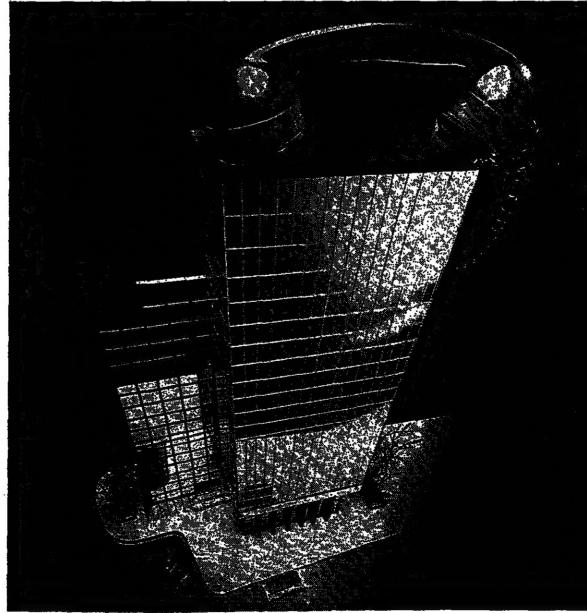
few days.

The court appears to have decided that the former premier can remain free pending an appeal. The sentence is just short of the one-year term which, under the 1982 Constitution, debars citizens from standtion, debars citizens from stand

ing for parliament for the rest of their lives.

As Islamic fundamentalists staged their second mass march in two days, the Turkish prime minister yesterday summoned the Iranian ambassador in Turkey, Mr Mohammed Motaki, to warn him against further encouragement by Iran for Islamic extremist groups.

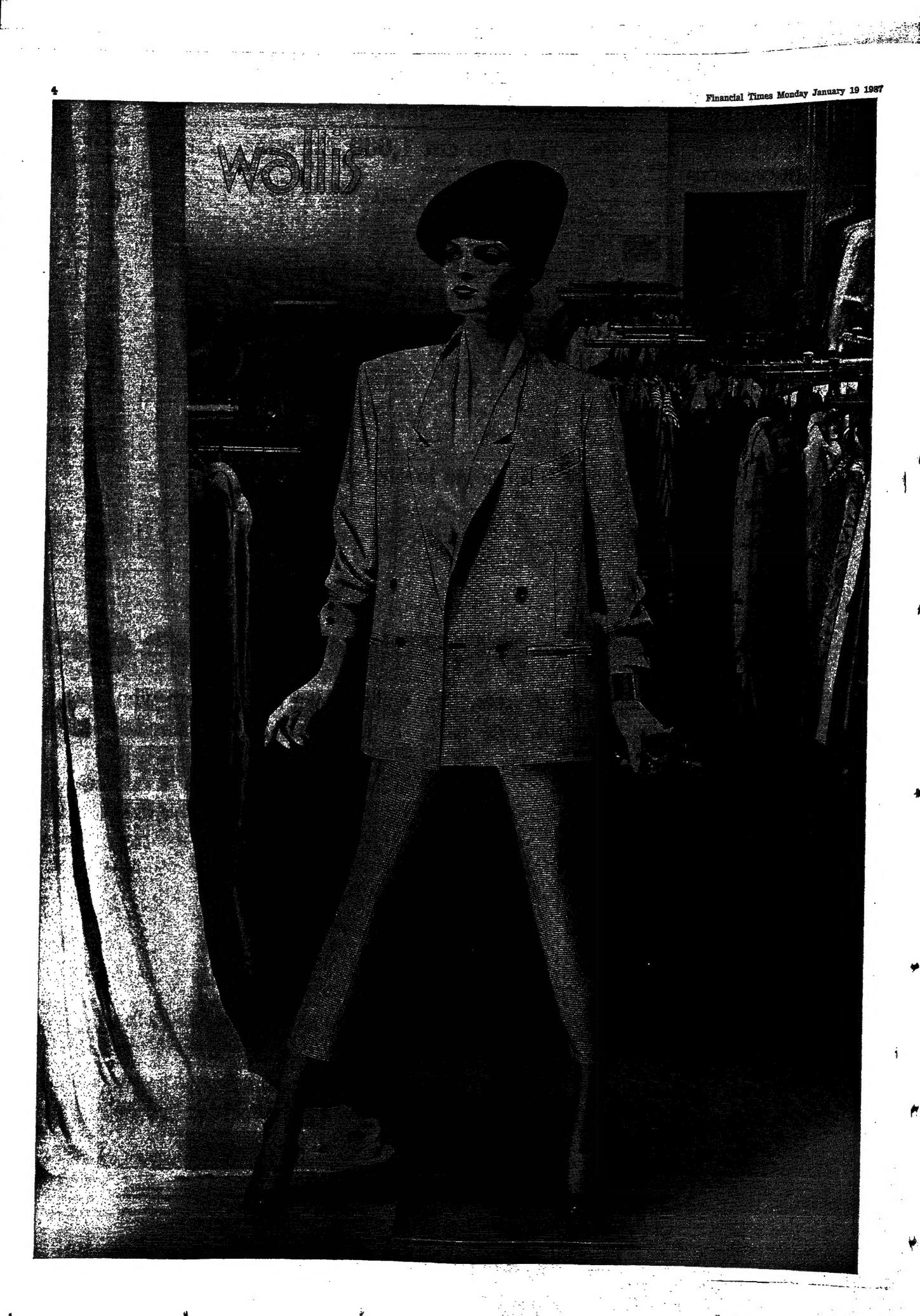
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	Cester Holding	12	Middani Bank 11	Mortgage 124%



Blaze at **Optica** treated as arson

By Lucy Kellaway A FIRE at Optica Industries, the "bug-eyed" observation aircraft over, which at the ekend destroyed eight aircraft d caused between 13m and

the factory near Salisbury, Wilt-shire, 35 miles west of London, said yesterday that it appeared to have been started in two places, inside the hanger and in an air-craft paried outside. Police said they were looking for someone with a gradge against the compa-

It is the latest in a string of nishortunes that have beset Opti-ca during the past two years. The first aircraft to be sold for police surveillance work crashed on its company subsequently went into receivership and was rescued by Mr Alan Haikney, a Wiltshire businessman, backed by over-

seas foreign investors.

Optica was last year cleared of responsibility for the crash, but sales of the aircraft have remained disappointing. Only one has been sold since the rescue.

This aircraft, which had been returned to Optica for servicing, was one of those destroyed in the fire. Of the seven other sizeraft, one was due to be hought by a US boyer, while a further two were likely to be sold in Europe.

Only one airworthy example of the aircraft with its bubbleshaped cockpit remains. This is on trials at Luton, Bedfordshire.

on trials at Luton, Hedfordshire.

The company yesterday denied reports that investors were preparing to sue for return of their money, and claimed that it had "not dissatisfied investors."

If Grenville Hodge, general assunger, said that beainess was brisk, and the staff, recently built in to about 75, were "working up to about 75, were "working flat out." He said that Optica was now concentrating on sub-con-tracting work for other aircraft manufacturers rather than huilding more of its own aircraft. After the fire he said that the

a stock of aircraft as soon as pos-sible. The company was in the process of establishing links with sales agents abroad, and said it was close to signing a contract for 24 craft with Nigeria.

Higher earnings pace favours better-off

sharply across different inco groups, with the overall trend fa-vouring decisively the better-off, ac-cording to the latest official statistics writes Philip Stephe

men at the mid-point of the earn-ings scale have seen their pre-tax salaries increase by 11.2 per cent in real, or inflation-adjusted terms be-tween April 1979 and 1986.

Men in the highest income group however, saw their gross escaings rise by 22.3 per cent, while for those at the lower end of the scale the increase was only 3.7 per cent.

Changes in earnings at different points in the income scale have been measured rather than the average pay of people in any particu-lar group. Thus, the figures for the lowest decile – 259.7 per cent week in 1979 and 111.4 per week in 1986 – refer to the upper limit of the lowest-paid 10 per cent. Average earnings in that group were considerably lower.

Similarly, the figures for the

ile mark the starting point for the highest-paid 10 per cent in the scale. Average pay levels in that group were substantially

much as men in 1986.

Net earnings have been affected by a whole range of changes since 1979. They include: a substantial rise in thresholds for all tax-payers; reductions in the basic and in high-er rates of income tax; the abolition of the lower 25 per cent tax band; and an increase in the standard rate of national insurance (offset for the very poorest by the introduc-tion of a graduated scale).

Although there are small differ-

for example to marital status, the overall effect of these changes has been to reinforce the trend towards

		EARMINGS /	AFTER TAX AND	NATIONA	L INSURANCE	E (2 PER WEEK)	<u> </u>	Single won		
		Single He			Married ma	in" drest				
	At current prices	At April 1986 constant prices	Percentage change in real terms	At ourrent prices	At April 1986 constant prices	Percentage change in real terms	enters prices	At April 1986 constant prices	change in real terms	
LOWEST DECILE? April 1979 April 1966	44.09 82.09	79,22 82.09	3.5	55.90 103,45	100.56 103.45	2.9	32.78 64.41	58.98 64.41	9.2	
LOWER QUARTILE April 1879 April 1886	52.62 100.94	94.85 100,94	6.6	81.43 122.30	115.90 122.30	5.5	37.26 73.16	67.02 73.16	9.2	
NEDLAN OF EARMONGS April 1979 April 1986	62.94 127.78	115.01 127.78	11.1	75.75 149,15	136.15 148.16	9.5	43.56 89.53	78.34 86.53	14.3	
UPPER QUARTILE April 1979 April 1986	78.28 184.12	140.90 164.12	16.6	90,08 165,48	162.04 185.48	14.5	52,28 114,58	94,28 114.58	21.6	
HOHEST DECEM April 1878	98.89	174.38		108.00	195.52	21.0	64.12 143.10	115.34 143.10	24.1	

decile has seen his earnings after 3.5 per cent, while a man in the top

top rates of tax suggest that the very highest income group will have done even better than the top of men over the seven year period, but in terms of levels women were but in terms of levels women were benefited from the lower rate band for national insurance

> can be drawn from the figures. The fact that people in higher in-come groups are paying a greater proportion of the Government's overall tax revenues now than in 1979 is explained by the extremely

igs. The tax burden on the highestpaid relative to their incomes has actually fallen. The Treasury has no firm evidence that the reduction in the top rates has discouraged tax

PRE-TAX EARNINGS (2 PER WEEK)										
:	At purrent prices	Mon At April 1986 constant prices	Percentage change in real terms	At current prices	Women At April 1986 constant priose	Percentage change in real terms				
Lowest decile April 1979 April 1986	59.7 111.4	107.4 111.4	2.7	41.0 80.3	73.6 30.3	8.8				
Lower questile April 1979 April 1986	73.8 141.8	132.7 141.5	6.9	48.A 57.0	87.1 97.0	11.4				
Median of cornlegs April 1976 April 1985	12.5 185.1	185.1	11.2	55.8 123.4	105.8 123.4	16.6				
Upper quartile April 1978 April 1986	116.2 263.7	209.0 . 243.7	16.6	73.4 163.8	132.0 163.8	24.1				
Highest decile April 1979 April 1986	145.8 820.8	262.2 320.8	22.3	92.8 206.6	166.9 209.8	25.7				

in the top group because the lower-tax rates have encouraged people to This argument, however, cannot be

the past few years, or conscious de- wage flexibility. The earnings of the

managers more.

At the lower end of the scale it the higher-paid have taken a disappears that the surge in the unemployment rate during the early in national income.

Economy gains £6.8bn a year through sport, survey says

dustries, according to a report published by the UK Sports Council.

The report, the first European chairman of the Sports Council, the Sports Council in 1985 and is suggested by said The growth of sports as part of an initiative by the Council.

the country's coal or agriculture in- way to investment in the construct-

SPORT generates 68.85tm a year vestment in sport on such projects £307m, and that spending by ter-for the British economy and as new sports halls and playing eigh tourists on sport in British is provides more jobs than either of fields can create jobs in a similar worth £23m but that the cost of

UK 'not prepared to sell out Falklanders'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE BRITISH Government is shrined in the UN charter. ready to negotiate with Argentina Defending the continued heavy on a range of issues but remains to expenditure on defence facilities on

tally opposed to discussing the issue of sovereignty of the Falkland sary in order to fulfil Britain's obligations in the Source and Source and

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Labour plans mail shot | Mirror Group to be of union membership

BY PETER RIDDELL, POLITICAL EDITOR

make an unprecedented use of potential supporters. This would it trade union records in a direct mail The Social Democratic Party around im. appeal seeking to raise money and to mobilise support.

At the end of this month some 125,000 letters will go out to members of the National Union of Railwaymen (NUR) in the first of a seri-

Labour's use of trade union records has, paradoxically, been present Government's trade union legislation which requires the keepcords for ballots and elections.

The Labour drive is occurring ters rather than primarily to raise just as the Conservative Party is stepping up its direct mail cam-

BY JAMMY BURNS, LABOUR STAFF

A meeting of the joint occupation

morrow to lobby Mr Malcom Rif-kind, the Scottish Secretary.

The meeting is expected to coin-

cide with the arrival of senior US

executives of the parent company

who are understood to be facing

The delegation will represent the Amelgameted Engineering Union,

reconsider their decision.

WORKERS OCCUPYING the US- planning to hold a mass meeting on

Tass, the manufacturing union would be in breach of the employ-whose members are communing to ment contract and would not be occupy the company's Scottish paid. Action by BT engineers is de-plant on a round-the-clock rota ba-laying repairs to faulty equipment

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THE LABOUR Party is about to ish Telecom and target groups of fund used for political purpo

(SDP) is also regularly making appeals through its central computerised system to its 35,000 donors and 58,000 members. The big expansion of direct mail

The mg expansion of the political appeals in Britain, along the lines pioneered in the US, represents a notentially major addition to conventional sources of income from membership subscriptions made by possible in part by the trade union political lavy (Lapresent Government's trade union bour) and corporate donations (Conservative). Initially, the Tories are ing of centralised membership re- using their direct mail mainly as a

BT said that anyone striking

A letter to NUR members will go out signed by Mr Neil Kinnock, the Labour leader, and by Mr Jimmy Knapp, the union's general secre-tary, and will contain a campaign brochure. It will focus on cutbacks in rail operations and staff number London Regional Transport.

One reason the NUR has been chosen is that there is a concentration of union members in such mar-

A small pilot direct mailing last year to members of the National stepping up its direct mail cam-paign to around 500,000 letters a be aimed at those paying the politi-month among shareholders of Briti-cal levy, which goes into a separate successful.

GEC job Caterpillar workers cuts step up campaign warning

owned Caterpillar plant at UddingThursday in support of the possible ston, near Glasgow, yesterday resumption of production at the agreed to step up their campaign plant without the supervision of loagainst the announced closure and cal management who have been GEC AVIONICS has told its trad unions that last month's Govern-ment cancellation of the Nimrod radar aircraft programme may cause total closure of its Radieti, faciory, north of London, as well as heavy redundancies at its nearby Hemel Hempstead and Borcham Caterpillar announced last Wedcommittee agreed to send a delega-tion of union officials to London to-to "cut costs and improve efficien-

wood factories. • Support for the National Com-Nimrod redundancy negotiations got off to an inconclusive start last munications Union, which is at the forefront of the present British Teweek when unions pressed the comlecom pay dispute, will be put to the test today when 15,000 members are being asked to hold a 24-bour pany for an early joint meeting with its executives and those of strike in support of staff who have been suspended from work.

GEC Computers. GEC has given legal notice of a maximum 1,750 job losses at its avionics company and 150 at its computers division.

The GEC Avionics factories at Radlett and Hemel Hemps which employ some 400 and 700 people, respectively, did not exist before the Nimrod radar programme started in 1977. As a result of its cancellation, the smaller of the two factories - Radlett - may

GEC has said that as many as 800 vacancies currently exist within its group of companies, half of them within GEC Avionics. But these internal job opportunities will prob-ably be available only to the most highly qualified of those who worked on Nimrod.

However, Plessey, which expects onsiderable contract work from Boeing and Westinghouse, now due upply the UK with the alter tive Awacs radar system in the ear ly 1990s, is recruiting heavily. Ever

The unions have already com-plained that GEC Avionics is offer ng only the statutory minir redundancy money. Provision of some £50m termination costs is being made to GEC in respect of the film Nimrod programme.

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Kari A. Stewart, Secretary

taken public next year, says Maxwell

BY RAYMOND SNODDY

MR ROBERT Maxwell plans to take Mirror Group Newspapers (MGN) public sometime next year. It is not clear, however, whether Mr Maxwell plans to float MGN as a separate company or sell it to his British Printing and Commu tion Corporation, which is already a

Mr Maxwell bought MGN from Reed International for £113.4m in July 1984. He said at the weekend

seeable future plans to print the Deily Mirror in colour. Mr Maxwell intends instead to use 21 new colour presses to print local, regional and national newspapers under con-

The first two of the presses, which will cost a total of £88m, have already arrived in Watford, one of seven satellite printing sites being planned. Mr Maxwell took symbolic planned. Mr Maxwell took symposis delivery of the third press at the headquarters of the manufacturers MAN Roland at Augsburg, in West Germany, at the weekend. The oth-

"We are going to become the pre-mier printer of newspapers in this country," said Mr Maxwell, outlin-ing his future hopes about the company's executive jet on the way to Augsburg.

The new presses, being leased by Mr Maxwell from Orient Leasing of Japan, will each have the capacity the London Post was unlikely to print 75,000 copies an hour in co-

A minimum of six of the new 250tonne presses will be installed at Odhams in Watford. Other printing sites will be in Glasgow, East Kilbride, Birmingham and two in Lon-don. The final site will either be in

presses would depend on negotia-tions with the unions and the level

Mr Maxwell said he had decided that the company would make a profit of between £25m and £30m in ue to be printed in black and whose 1985 and that the Daily Mirror's circulation had risen to 3.2m, 290,000 had not posed the expected threat and Mr Rupert Murdoch was "locked into black and white at "Younging."

But Mr Maxwell also claim Both the Sunday Mirror and the People would move to colour to give

• Black and white printing would continue at Holborn. There would, however, he a new round of redun dancies among printers because of direct inputting of journalists copy. A free 24-hour paper would be launched in Manchester later this year, along the lines of the London Daily News, scheduled for launch

A similar free daily newspaper envisaged for Glasgow later.

Mr Rupert Murdoch has con-firmed that he is unlikely to launch a London evening newspaper from terview to be broadcast tonight on BBC's Panorama, Mr Murdoch said

Channel tunnel project enters crucial phase A SMALL party will take place in London and Paris tomorrow to cele- Andrew Taylor explains place and the political uncertainty

brate the first anniversary of the decision by the British and French governments to approve plans to link their two countries by a 31- the world's greatest It is also looking at possibilities mile-long rail tunnel under the construction ventures. of issuing different types of equity Channel.

The celebrations organised by Eurotumal, the Anglo-French consortium of bankers, construction and engineering groups, which won the concession to build the tunnel, the concession to build the tunnel tu the concession to build the tunnel, the campaign is nugar. A conservation of the likely constitute of the likely constitute of the likely constitution of underwriting syndicates for the issue is also underway, while Eurotunnel, according to its constitution of underwriting as the likely constitution of underwriting as the likely constitution of underwriting as the likely constitution of the likely constitution of underwriting as the likely constitution of the likely constitution of underwriting as the likely constitution of the likely constitution of the likely constitution of underwriting as the last year when Mrs Margaret and an application of the likely constitution of underwriting as the last year when Mrs Margaret and application of the likely constitution of th

The next 190 days will be crucial ment enthusiasm for the project for Eurotunnel which plans to complete the financing arrangements to come alight.

It has been a bruising 12 months

tional banks could be in jeopardy. Before the issue can take place, parliament will have to have passed the Channel Tunnel Bill and ratified the treaty signed with France last February.

tion to the project is much less in-tense than in Britain where ferry companies and environmentalists have mounted a vociferous cam-

paign opposing the tunnel.

Any alippage in the tight time-table could delay the start of main construction planned for this au-tumn. The project could be lost alto-gether if parliament fails to pass the Channel Tunnel Bill, or if the consortium fails to raise the cash it vestur confidence in October - the needs this summer from investors. lack of a market for its shares; the

the consortium which still has tunnel will be concentrating as it tunnel to do if one of the world's celebrates its first birthday tomorgreatest construction ventures is to go ahead.

It has been a bruising 12 months E750m international share issue in for the consortium which is still re-July. If the issue fails then loans covering from the blows it sus-and standby credits worth more tained last October when plans to than 55bn with around 40 interna-raise 5206m from international investment institutions very nearly ran aground. The issue was only saved by the original founding banking and construction sharehol-ders subscribing for extra shares.

have to fight a much more vigorous campaign if this summer's issue, taking the total equity to have been raised to Elbn, is not to run into

similar problems. the first time, to the general public in Britain and France, after which it will seek a quote for the shares on the London and Paris stock ex-

changes.
The consortium argues that the

the factors which could surrounding the project - will be make or break one of absent when it comes to raise the fi-

to overcome objections from investfirst dividends will not be paid until after the tunnel opens in 1993. One loan stock.

that it must raise its profile if it is to succeed. By its own admission the consortium's publicity campaign effective as it might have been against the fire of opponents who have criticised the safety and viabil-

A £10m advertising contract has recently been awarded to Collett

A party of British journalists were last week taken to Switzerland by Eurotunnel to see a series of privately run rail tunnels which have been successfully carrying passengers in their cars through tunnels up to 20kms long for more

The trip was aimed at countering criticisms raised in parliament by MPs and others during the commit

their cars is unsafe. A key figure in Eurotunnel's cam The consortium argues that the negative factors which dented investor confidence in October - the lack of a market for its shares; the

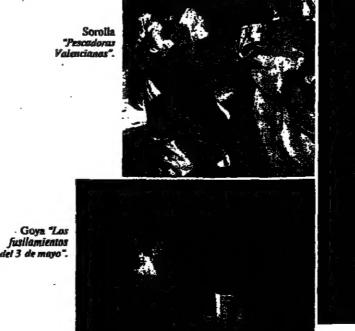
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Picasso, Miró, Vázquez Diaz, Dali... It's worth a visit to Spain just to admire its superb art treasures. Here you'll find it's not so difficult to give up the sun for a few



Spain. Everything under the sun.

INTERVIEW

Munich's Mr Hollywood

Bernd Eichinger, the West German film producer, talks to Andrew Fisher

—does not wear expensive business clothes, preferring jeans, open-necked shirts and tennis shoes. He smokes cigarettes rather than cigars and favours the unshaven look.

Instead of an imposing executive suite, he has a functional, modern office in Munich. The furniture is black and one wall is hung with Marilyn Monroe reproductions, Andy Warhol

ornate, Holywood-like trappings, Eichinger has become a name to carcinger has become a name to recken with not only in German cinema, but worldwide. The Name of the Rose cost \$18m (about £12.2m) to make, stars Sean Connery and is by far the most popular over-16 film shown

end of 1986, it was seen by 5m people and took DM 45m (about £16m). Ultimately, it is sikely to pull in more than \$100m—toppoil in more than \$100m-top-ping the revenues of The Neverending Story, a feminary film produced by Eichinger. The Name of the Rose is hased on a best-selling novel by Umberto Eco, an Italian pro-fessor. The story, which deals with a tripp of critish murders with a string of grisly murders in an isolated monastery, is gripping enough. But, according to Eichinger, the reconstruction

BERND EICHINGER, West Germany's most successful sudiences, and sudiences, and improducer, could hardly be more remote from the popular image of the hig-time movie executive.

The lanky 37-year-old, who produced The Name of the Rose—an atmospheric medieval thriller which is doing runaway business in European cinemas (it opens in London on Friday)—does not wear expensive business clothes, preferring jeans, open-necked shirts and tennis ence."

ethos is equelly fascinating to sudiences, and the from the German producer, and Italian setting and anthor (although Eco was not involved in the screenplay), the director, Napoleon today, you wouldn't just put the love story between Napoleon and Josephine in the American, French, German and Austrian, and the only actress was born in Chile.

Eichinger is certainly an fait with the intricacies of raising capital—The Name of the Rose was funded with interim bank support on the basis of advance

Making films which convey atmosphere and a strong sense of time and place, as well as having a powerful plot, is not a new idea. However, Eichinger helleweit is with for films to

ence."

e between other people in the cinema, you have to pro-vide not just entertainment, but something that really moves them, that really lasts beyond the two-hour film."

With this sim in mind, he with this aim in mind, he went through one screenplay after another before he was satisfied that the right blend of plot and background, story and motivation had been achieved. Altogether, there were 16 versions and four screenplay arthers assess in the gradity authors appear in the credits.

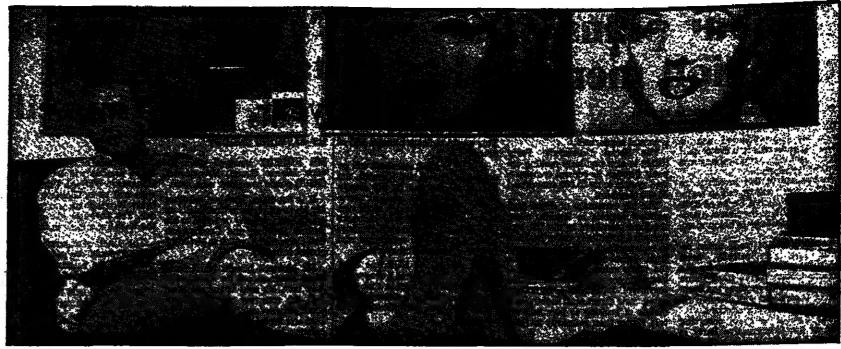
It is a highly international story-te

believes it is vital for films to
leave a lasting impression and
not just deliver fleeting entertainment.

"The entertainment value
has to be there anyway, but
things are different from 10 or
15 years ago, when people
would leave a cinema, saying
'Yes, good film, very nice.'
These days, if you really want
to persuade someone to get into a car, look
for a parking space and then
squeeze between other people

He points out that the German film scene is much more commercially aware than it used to be. Films like Das Boot (The Boat), about life on a World War Two submarine, Christiane F, dealing with drug-taking and despair among teenagers, and Heimat, providing an absorbing insight into rural life, have helped to raise the profile of German chema abroad.

Eichinger produced Christiane F and distributed The Bost and Heimat (Homeland).
All three exemplify his notion
of Erzuchlkino—narrative or
story-telling cinema, far removed from the art-film



butors, notably in the US. realism. The story was shown line also immerses him in an almost unbellevably directors he likes most, with hand cameras using natural always was. It's not suddenly there's a lot of talent, there with hand cameras using natural always was. It's not suddenly there's a lot of talent, there with hand cameras using natural always was. It's not suddenly the story was almost byper. Not surprisingly, he is coy in the story was about naming which German directors he likes most. light and the dialogue was highly, even shockingly,

> was similarly gripping. It gave a detailed portrayal of the crew's life in a cramped space and under frightening circumstances.

> Name of the Rose. Just as the submarine was not just the scenery in Das Boot, so the Middle Ages were not just the

• PERSONAL FILE

Eichinger is certainly an fait approach which typified much background in The Name of the Rose after years ago.

Eichinger is certainly an fait approach which typified much background in The Name of the Rose. For us, the Middle ages were the main performer and in Das Boot the submarine support on the basis of advance financial guarantees from distributors notably in the US.

"There's a lot of talent, there always was. It's not suddenly there, but it's being expressed differently. There was a phase when every director felt responsible for producing a total work of art. Now they see that they are realisateurs (he prefers detailed portrayal of the rew's life in a cramped space and under frightening circumstances. He draws a parallel with The rouble over providing good are of the Rose. "Just as the submarine was not just the real people on the screen."

Directors such as Werner Herzog, Wim Wenders, Volker

Schloendorff and the late Rainer Werner Fassbinder have raisely the flag of German cinema well beyond the Federal Republic's borders. The latest German film-maker to grab attention is Doris Doerrie, whose Meening Offen a side. whose Maenner (Men), a side-splitting comedy about marital problems among the young, urban well-to-do, has been a success in both Germany and (dubbed) in the US.

Doerrie will direct one of tures, the director of Christiane F, Uirch Edel, will film Last Exit to Brooklyn, the Hubert Selby book about New York

"Step by step," says Eichinger, "I feel we're approaching a situation where Germany will play a much bigger role in commercial cinema. An admirer of popular directors, such as Spielberg, Coppola and Kubrick, he also has strong views on Fassbinder, whose films were controversial and exacting but not really oriented to a mass audience. There's a difference between what he did and what he could have done. He had to teach himself. In the early 1970s, there was nothing there, no

infrastructure, financial "At the end, he could make commercial films. If he had lived longer, he could have made big worldwide commercial

in the making as well as the financing of films, did Eichinger become a producer rather than a director? After working in most aspects of the film busi-ness, he explains: "I do not Eichinger's forthcoming prowant to sound arrogant, but I
jects, a New York-located see myself as a multi-talent.
comedy called Me and Him, My strength is to have a lot
based on a novel by Alberto
Moravia. In another of his ventures, the director of Christiane
tures, the director of Christiane

The Field and Street and Street Stock films. No one thought not have much scope to make good films. No one thought internationally. As a producer, I can make things happen."

In Los Angeles he had to pursue cliff-hanging negotiations to obtain guarantees from distributors over the US film and video rights for The Name of the Rose. The talks lasted up to the day that shooting was due to begin, near Frankfurt. Without their successful conclusion, the financing bank. conclusion, the financing bank, the Credit Lyonnais subsidiary

the Credit Lyonnais subsidiary in Holland, would not have paid out any money.

Of the \$100m-plus that The Name of the Rose will yield in box office and video receipts, up to a fifth will flow back to the producer. So Eichinger will be able to recover the produc-

comes to his personal when it comes to his personal financial needs. "I've got enough so I can live pleasantly. I don't need big villas. I'm not interested orivately in money too much, but the film business is cash-intensive. You've got to under-

stand how to use it. With films having a much shorter life in the cinemas. Eichinger has become heavily involved in the video business, Neue Constantin, the produc-tion and distribution company he heads, has a turnover of about DM 160m a year in films

Eichinger believes the film industry is a lot tougher than in, say the US in the 1940s, when there was an established studio and star system. "That doesn't apply any more, Even Robert Redford or Dustin Hoffman, can make a film and it man can make a film and it could be a total flop."

How about the cultural climate in Germany? "It needs a certain dose of madness," he reckons. Too many film ideas come up that are merely re-workings of what has gone down well on TV, "Often someone who doesn't stand out has a better chance than someone who does. The question is how to free oneself from that. I've been able to, thank God."



JUSTINIAN

last week to this unacceptable state of affairs was to spell out its proposals for early legisa-tion which will provide the framework of a rational, simple and clear code of law for the child and the family.*

The constant theme of the de-

bate in this area of law is to find the true balance between the rights of parents and the

will provide greater protection than at present to the child, while firmly preserving the parents' rights in the legal process of taking and keeping children into care. The theme of the Government's response to clamours for reform is that, once the family has ceased to function, the Sinte is justified

The protection of the child to restrict and terminate a parent's access to a child in object of the panic is quite care violates the right to respect for family life within Article 8 and interests. Sometimes the parent's access to a child in object of the panic is quite care violates the right to respect for family life within Article 8 and interests. Sometimes the parent's access to a child in object of the panic is quite for family life within Article 8 and interests. Sometimes the care violates the right to respect for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests. Sometimes the panic is quite for family life within Article 8 and interests.

Produced The Neverending Story

system. At present the local authority has a duty to investigate cases where information is received which suggests that a child is seriously at risk. Under the National Health Service duty to collaborate should be sarily so where there is evi-To Did not need a spate of shocking cases of child abuse cover the last few years to arouse the authorities to the fact that the whole area of child abuse care law has for far too long been bedevilled by an unnecessarily complex, confusing of the child.

The fights of parents and the function, the State is justified in breaching family privacy and supervening in parental of the child.

The fights of parents and the function, the State is justified in breaching family privacy and supervening in parental of the child abuse cases.

The fights of their children, the State is justified in breaching family privacy and supervening in parental of the inquiries into child abuse cases.

The fights of their children, the State is justified in breaching family privacy and supervening in parental regions and supervening in parental rights and away at an authonomy in the best interests of the child.

A prime proposal is to promote the support of all the relevant agencies in the management of a child abuse case.

A prime proposal is to promote the support of all the relevant agencies in the management of a child abuse case.

The Government refutes this supply of information, in developing, due to the absence of incapacity of parents to care as the inquiries into child abuse cases.

The child abuse cases of child abuse cases in the support of all the relevant agencies in the management of a child abuse case.

The Government refutes this indicated belief in breaching family privacy in gardinary corresponding to assist, by advice and the supply of information, in developing, due to the abuse, case in the management of a child abuse case.

The Contract of the child.

The Government will make it material to care will ultimately have to the case in the management of a child abuse case.

The Government refutes this indicated to the inquiries into child abuse cases.

The Government refutes this indicated to the child is not the child.

The Government will make it material to case in the child is not the child.

The Government refutes

received which suggests that a child is seriously at risk. Under the National Health Service legislation, there is a general duty on local authorities and health authorities to co-operate with each other. Several of the inquiries into child abuse cases

The Government appears to be anticipating an adverse ruling from Strasbourg on two proposals for change, First, it will no longer be possible for local authorities to obtain parental powers and responsi-bilities by an administrative resolution. Second, any dispute about parental accept to children about parental access to children

inquiry was accompanied by a torrent of unprecedented media coverage. That case unleashed a storm of controversy about the competence and ideology of social workers and their ability service. If there has recently moral panic, the Government's proposals for reform should restore the social equilibrium about a highly emotive branch of law.

* The Law on Child Care and Family Services; HMSO, Cm.

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JOHN PLENDER

THE ILL-TEMPERED Paris-Bonn dialogue that pre-ceded last week's realign-ment within the European Monetary System was perfectly designed to provide satisfaction

Torrible talk and the course of sterling

tal flows, which now dwarf currency movements relating to the trade in goods, makes old-fashioned fears about balance of payments financing somewhat anachronistic — particularly when even the most bearish forecasts of the current account deficit tot up to little more than 1½ per cent of gross domestic product. All the more so, when Britain has accumulated net overseas assets in the period

Monetary System was perfectly designed to provide satisfaction to Mra Thatcher. The British Prime Minister is, we are assured from all sides, deeply hostile to anything that resembles a currency snake or a crawling peg, especially if it looks like creeping up on her at a politically sensitive moment.

Certainly the discomfiture of Mr Helmut Kohl's Government was palpable, in the face of a pre-electoral 3 per cent revaluation of the D-mark. But I wonder if Mr Kinnock and his Shadow Chancellor Mr Roy Hattersley should not have taken rather more satisfaction in all this than the Prime Minister. For on the face of it, the floating currency world outside the EMS is doing Labour proud.

Consider the recent fate of sterlings. Since the beginning of 1985 the gound has seen a quiet devaluation of more than 20 per cent egainst the D-mark, which is the cornerstone of the EMS and the key currency for the tradeable goods sector of the British economy. Nearly three points of that fall have come in the first fortulght of the current year alone. The reasons usually advanced for sterling's weakness against the EMS currencies are that the EMS currenc

Floating exchange rates are readily influenced by both government and by the opposition

did not: there is no point engage thange control, including ing in unlisteral fiscal expansion, Labour's newstyle fiscal caronly to be torced into a voite face by the currency markets sure the repetitistion of private portfolio flows. It has the overthelmore advantage, from the

of payments is deteriorating dangerously fast and that the markets are worried that Lebour's election prospects may be improving.

The first argument looks, at second glance, rather curious. The phenomenal growth in capital flows, which now dwarf currency movements relating to the trade in goods, makes old-fashioned fears about balance of payments financing somewhat anachronistic — particularly when even the most bearish forecasts of the current seconnt leading influenced tration but the Federal Reserve, not only by governments but by opposition politicians. This, in brief dalkiance with exchange from oll tration but the Federal Reserve, not only by governments but by opposition politicians. This, in brief dalkiance with exchange from oll tration but the Federal Reserve, not only by governments but by opposition politicians. This, in brief dalkiance with exchange from oll tration but the Federal Reserve, not only by governments but by opposition politicians. This, in brief dalkiance with exchange from oll tration but the Federal Reserve, not only by governments but by opposition politicians. This, in brief dalkiance with exchange from oll tration but the Federal Reserve, not only by governments but by opposition politicians. This, in tration but the Federal Reserve, not only by governments but by opposition politicians. This, in brief dalkiance with exchange account deficits as it made the structural change from oll tration but the Federal Reserve, account deficits as it made the structural change from oll tration but the Federal Reserve, account deficits as it made the structural change from oll tration but the Federal Reserve.

In painting a petror of the trade balance of their spending programmes.

In painting a picture of direction the description of the payments financing somewhat an opportunity to short-circuit the federal Reserve.

And in recent weigh affects again account deficits account deficits account deficits account change account deficits account change account deficits account change account def the seeds of an improvement on the current account by en-hancing competitiveness in British industry.

In contrast, a Conservative current account deficit can be savaged by Labour on the grounds that it represents no more than the wages of sin: a consumer binge in which the last fruits of North Sea oil are blown on consumption, and job prospects remain heavily dependent on the earnings of increasingly unpopular City capitalists. when the current account deficit looms threateningly karge.

Perhaps they have also learned from Mr James Baker, the US Treasury Secretary, who has demonstrated a rare still in talking down the dollar. Here, after all, is a Treasury Secretary who has pursued a successful policy of competitive devaluation despite the fact that direct control over monetary policy lies not with the Adminis-



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MANAGEMENT

"I WOULD HAVE thought you could hear the cheer all over North London," says Bob Nevitt, managing director of Ever Ready's trading division, remembering his reaction five years ago to the news that Hanson Trust had won its battle to take over the company.

Nevitt was then national sales manager of the battery manufacturer, having joined in 1959 as a relief van salesman, "the lowest of the low." At the time of the takeover in December 1981, the company, than Europa's lawast producer then Europe's largest producer of dry cell batteries, was oper-ating under the name of Berec. ating under the name of Berec, the label used on its products in all countries except the UK, West Germany and Italy. As part of a campaign of global marketing, it was in the process of abandoning the well-known Ever Ready label in favour of Berec on its British batteries.

profoundly opposed to the change and was having difficulty explaining it to his customers. Hence his cheering. Hanson, which paid £95m for Berec, changed the company's name back to British Ever Ready.

Hanson then proceeded to sell

off all Ever Ready's foreign companies, except for its South companies, except for its South
African business, and concentrated the company's efforts
on the UK, its major market.
It also set about responding to
a fundamental market change
which, it says, the old Berec
management had ignored: the
shift from cheap shorter-life
zinc carbon batteries to long-life
alkaline manganese batteries.
Nevitt is one of those who has
prospered under Hanson owners.

ospered under Hanson ownership. He readily concedes that 10 years. They just put their "obviously you're going to get heads in the sand." ship. He readily concedes that "obviously you're going to get a more positive response from me, one of the survivors, than from those who fell by the way-

both fell to the Hanson are, although Abingdon is still operating as an independent pite an increase in sales. In the research facility after a management buy-out. Ever Ready chair-takeover, profits showed an impressive increase, reaching impressive increase, reaching impressive increase, reaching impressive increase. R and D spending is down com-pared with pre-Hanson days, But then 1985 saw a drop to EVER READY around 3 per cent of 1986 sales 530.8m on sales of £127.6m, Sales (£m) of £132m, compared with 3 to

Battery markets

Ever Ready: set fair for a longer life?

Michael Skapinker on Hanson Trust's impact on a sluggish company

factories, is market led and has come up with the products which the company needs to meet the growing demand for longer-life batteries. In 1983 Ever Ready launched its Gold Seal alkaline manganese battery seal attache manganese battery and later improved the product when the competition copied it. It also came out with a zinc chloride battery, Silver Seal, aimed at a medium-life market between Gold Seal and the company's shorter-life zinc carbon Blue Seal battery.

By contrast, he says, the old Berec management had failed to bring a workable alkaline battery to the market, leaving the field open to Duracell, a division of Kraft, the US con-

The American battery market The American battery market had aiready shown a dramatic shift to long-life batteries. Fulford, who headed United Gas Industries until it was taken over by Hanson in 1982, accuses the old Beree management of simply ignoring the same trend in the UK. "The alkaline phenomenon had been there for market They just put their

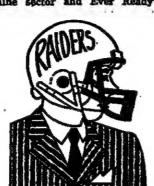
The sentiment is echoed by Jack Dobson, branch secretary of the Transport and General Workers' Union at Ever Ready's Many did. Hanson moved Ever Ready's head office to a smaller North London building, slashed headquarters, sales and marketing staff from 550 to 75, reduced the number of management layers from nine to three and laid off 60 per cent of the UK factory staff, which fell from 2,658 in 1982, to 1,061 by the end of last year.

Ever Ready's two research centres, at Abingdon near Oxford and Tottenham in London, both fell to the Hanson are, although Abingdon is still operating as an independent work of the takeover, despite an increase in sales. In the

£30.8m on sales of £127.6m, Sales (6m) 241.3 attributed by City analysts to the weakness of the Rand which Margin (%) 7.9 E241m. reduced the steriling contribu-But, he says, current R and tion of the South African Nine months only.

Hanson director marun Taylor says he regards Ever Ready's current performance as "very pleasing in a very competitive market." Taylor says that Hanson has no regrets about hanging on to the South African subsidiary, which he describes as a "lovely business" and a good performer in Rand terms.

In the UK, Ever Ready is still the largest player in the battery market overall, but the measure of its future success will be the extent to which its Gold Scal battery can win market share off Durscall the leader in the allow Duracell, the leader in the alkaline sector and Ever Ready's



The shift to long life batteries is now seen as irreversible. Nevitt says be expects alkaline sales volumes to equal those of zinc carbon by the end of the decade. "Which is why it's so important that we've got to have a significant chunk of the alkaline market quickly," he

nese market in volume terms, against 68 per cent held by Duracell. Not true, says Roy Doughty, Duracell UK's General Manager. Duracell has 75 per cent of the alkaline market. Ever Ready has no more than 14 per cent.

Ever Ready has no more than 14 per cent.

Matters are not improved by the fact that independent sur-veys tend either to rely on in-formation from Duracell and Ever Ready themselves or do not cover the whole range of

Despite the marketing effort
—66.5m last year—that Ever
Ready is putting into Gold Seal
and its other products,
some analysts see Duracell as having one clearcut advantage. Not only has Duracell been in the alkaline market longer than Ever Ready: it also sells no zinc carbon batteries in the UK.
The result is a simpler market The result is a simpler marketing message—Duracell equals long life, "They've simply presented the 'our batteries last longer' story," one analyst says. Even if it succeeds in the UK marketing battle, there is another charge which Hanson has to answer: that it sold off Ever Ready's opportunity to succeed internationally. Following the takeover, Hanson managed to claw back \$41m of its original £95m purchase price with the sale of Ever Ready's battery interests in Hong Kong, Nigeria, West Germany and Italy, as well as smaller

Italy, as well as smaller businesses in other parts of The Hanson defence is that

the foreign businesses were beyond redemption. The business in Nigeria, according have a significant chunk of the alkaline market quickly," he says.

So how well is Ever Ready doing in the alkaline battery profit, but only just. Compared sector? That depends on which you talk to, Ever Ready or had really taken a hammering."

Duracell, Ever Ready claims 21 The Hong Kong strategy—



to build a factory to supply sinc carbon batteries to the US, just when that market was moving over to alkaline—had, according to Hanson, been poorly thought out.

The sale of the European The sale of the European subsidiaries is far more controversial. Not only did Hanson sell off the two companies, Daimon in West Germany and Superpila in Italy, it sold them to its only real competitor, Duracell, along with the technology for Gold Seal which was being developed in Germany.

How could such a move be justified in competitive terms? The management at Ever Ready admit that they have, at times, asked themselves that question. "There was some internal disagreement on the issue," Ful-ford says. He remembers dis-

player.
The Gold Seal technology contained nothing that Duracell. tained nothing that Duracell could not have come up with itself, the Hanson defence continues. And Duracell has had trouble with Daimon too. It is in the process of closing down its only factory. Henri Gutman, Vice President of Duracell Europe, agrees, unsurprisingly, that Duracell had little to learn from Daimon's technology. But he claims that the factory

he claims that the factory closure is a European ration-alisation rather than an indica-tion of weakness in the German battery market. Only 22 per cent of German sales came from the level factory. the local factory. .

Nevertheless, Hanson management rejects the suggestion that the sale reflected nothing more ford says. He remembers discussing the matter with Sir the sale reflected nothing more than the group's dislike of doing cusaing the matter with Sir business outside America and Gordon White, head of Hanson's US interests. "He put it that what we have is a major problem in the UK. And the situation was even more difficult in Italy and Germany. He said to me there's considerable over-capacity in Europe. It's already becoming a rat-race." The European market is highly segmented, although Duracell the sale reflected nothing more than the group's dislike of doing that the sale reflected nothing more than the group's dislike of doing that the sale reflected nothing more than the group's dislike of doing that the sale reflected nothing more than the group's dislike of doing that the sale reflected nothing more than the group's dislike of doing that the sale reflected nothing more than the group's dislike of doing than the group's dislike of doing that the sale reflected nothing more than the group's dislike of doing than the group's dislike of doing

Ever Ready is certainly in better shape to deal with that home market than it was under its previous management. In-heriting a base in the declining zinc carbon sector, it now as least has a product to offer the

least has a product to offer the growing army of consumers who demand a longer life from the batteries they buy. Whether Ever Ready can dislodge Duracell from the sector it regards as its own remains to be seen, particularly with both companies facing growing competition from retailers such as Boots and Sainbury's which are now selling own label batteries.

If Ever Ready does succeed in

now selling own label batteries.

If Ever Ready does succeed in the UK, the question will remain of why it could not do so in Europe too. That that market is competitive seems a lame excuse, coming as it does from Hanson. Taking struggling companies in difficult markets and turning them into winners is supposed to be the Hanson speciality.

Its decision to sell Ever Ready's interests there throws into sharp relief the debate about the Hanson way of doing things. The sale might have been a success in cash terms, but the result was that, apart from its South African subsidiary, Ever Ready, instead of being a world power is now a local Ever Ready (Great Britain)," according to Lawrence Orchard, the company's chairman until 1879.

By Hanson's own admission it is unlikely to develop into anything more. According to Tony Alexander, 20 per cent of Ever Ready's production is now exported compared with 60 now exported, compared with 60 per cent before the takeover.
"If we got more than 30 per cent of our products into exports it would be a miracle." he says. Hanson expressed an interest in buying Union Carbide's battery interests last year, which would have given it access to the vast American market. The division was bought instead by Ralston Purina, the world's largest producer of pet

The old Ever Ready manage-The old Ever Ready management is prepared to concede that it might have had to close Daimon too. "Germany is a very high cost producer," says Colin Stapleton, chairman at the time of the takeover. "But we would most certainly have stayed in Europe. It wasn't generating cash today. It would probably have taken three to four years. The difference between the Hanson Trust philobetween the Hanson Trust philosophy and that of our board is very simply. Hanson's a cash today man. We were business inability people. He sold those businesses that weren't generating cash. Nobody can say he was wrong."

Previous erticles in series were published on January 13, 14 and 15. The next 01

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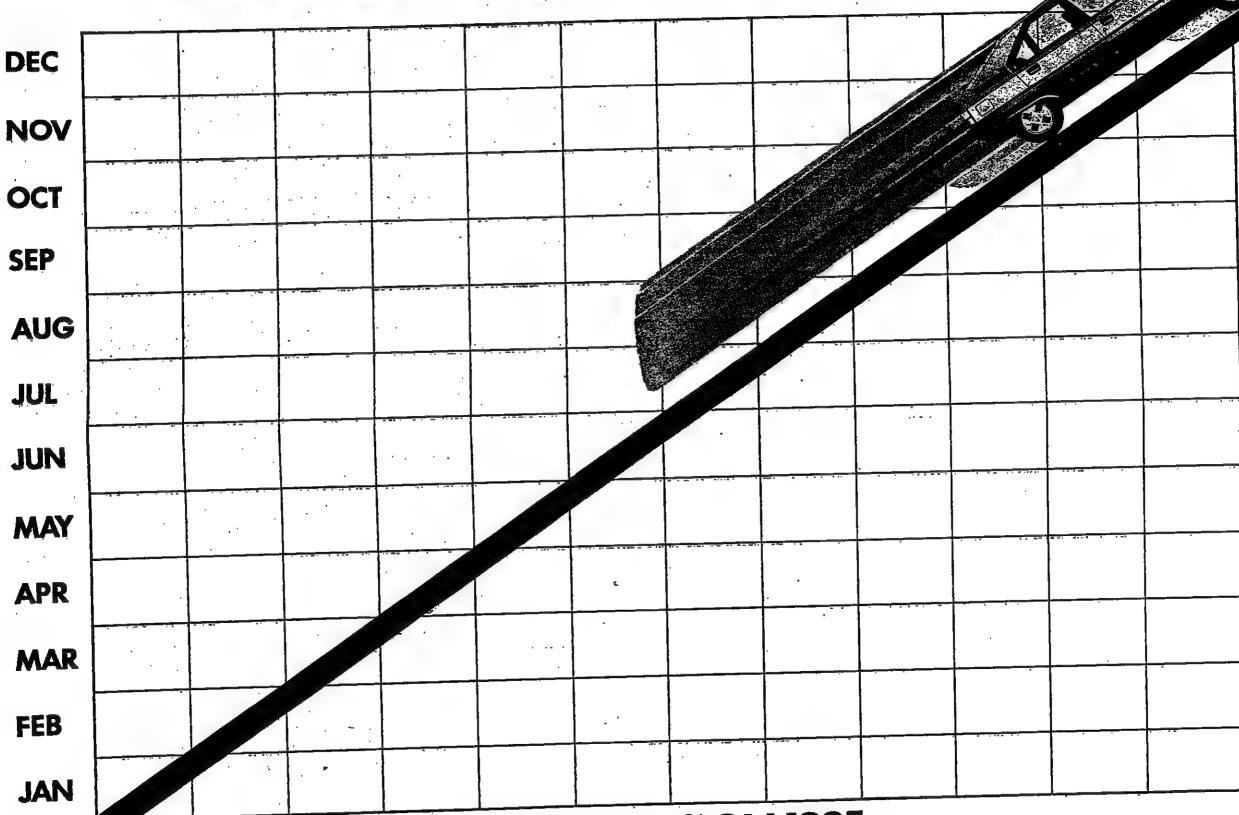
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Lully died in 1687, Gluck one hundred years later; they lead the line of 1987's most significant anniversary composers. Such a link between the two, coincidental though it be, is pleasing, for it mirrors the more important connexion of music history—the first, a Florentine, founded the French Baroque opera, and the second, a Bohemian, came to Paris to provide its Classical re-affirmation at a time when the Lullian forms seemed to be in decline. Unlike other, more familiar figures recently touted in their anniversary years, Lully and Gluck are both worth the special effort that the anni-versary ritual often encourages: both remain in urgent need of rediscovery by modern audi-

The earlier (and lesser) of the pair remains, of course, much the more submerged figure. There have been a few good modern Lully opera recordings, and in London we have been grateful for a few brave shoestring productions on the fringe. Yet in spite of them, Lully's tragédies-lyriques (unlike those of his direct successor, Rameau) are still widely suspected of being "nonwiable," in our modern and highly (though understand-ably) prejudiced terms of judgment. So the production of Atys that opened at the Salle Favart on Friday, by Les Arts Florissants and Ris et Danceries under the aegis of the Paris Opera, was a triumph of more than one kind.

than one kind.

It was an evening of brilliantly conceived and executed spectacle, a feast of dance and related visual pleasures; musically, it was on the highest level that the modern "authentic" movement is capable of reaching. And exactly because it was these is capable of reaching. And exactly because it was these things — expertly prepared, with sufficient resources of time, understanding, and budget—the production showed how firmly a work of Lully's maturity can grip a modern auditorics.

The firmness does not come from the music alone. We are nowadays in the post-Mozartian habit of scanning our favourite operas for great music as a seam of readily identifiable and extractable approach to the contractable of th extractable precious metal. Lully's music, examined on the Lully's music, examined on the printed page or even heard in well-meaning live performance, can so easily seem square, rigid in its application of formula, lacking in richness and variety of purely musical imagination. To this attitude Romain Rolland (in his Musicians d'autrejois) offers the proper corrective: "Healily has greatness and merits Lully has greatness, and merits a high place among the masters of art, it is not because he was a poet-musician, but rather a musician-architect." He calusician-architect." He cal-ulated vivid and telling combinations of the high arts of the Grand Siècle. It takes a per-formance of this wit, stylistic understanding, and all-round distinction to make one realise just how vivid, how telling.

telling.

Atys (1676) was the fourth product of the great and enduring collaboration with Philippe Quinault — both William Christie (Les Arts Florissants musical director) and Jean-Marie Villégier (producer) have arrued the excellence of Quinault — both William an effective "curtain." Because Christie (Les Arts Florissants musical director) and Jean-taken with the delivery of Marie Villégier (producer) have argued the excellence of ally dry acres bloomed with Quinault's libretto (based on dramatic sentience. Only the Ovid) as main reason for making Atys their particular tailored to form—and even choice of revival. (The later Armide may be instrumentally more subtle, but its tale is less tautly told.) Atys pleased Christie's exchastre is an tautly told.) Atys pleased Louis AIV so greatly that he called for its revival, in 1878 and again in 1682; it became known as "l'opéra du Roy." It has been deemed an experi-mental chapter in the Lullian progression, since the comic subtexts of the earlier Cadmus and Alceste are pruned, and the tone of tragedy notably deepens—this marks the onset of what Villegier, in an illuminating programme essay, calls "le crépuscule de l'aristo-

cratie" both in the life and the



Ann Monoyios

creatures in colour), supplies a wonderfully severe sense of pro-

portion to the unfolding drama.
And though here and there
one may detect faint touches
of Ponnelle-type send-up (in.

pungently decisimed with moments of eloquent asperity. In the title role Howard Crook,

a tenor new to me, was tender courtly, fluent in madness, and true of voice. As Sangaride Ann

Nicholas Rivenq was a dark, commanding Celenus. Anglo-Saxon principals, all four! Jean

Guizerix and Wilfride Piollet of the Paris Opera ballet led the dances by Francine Launcelot, all meshed into the drama with

magical finesse.
The production is shared

between Florence (where it started life, as did Luly—a nice touch), Paris (where it plays until February 6), and Montpellier (where it arrives in the second wash of Month) For

the second week of March). For those unable to make the pilgrimage, the forthcoming Harmonia Mundi recording by

the same forces will prove at least a consolation. If all composers' anniversaries were cele-brated in this way, there would

never be heard a word against them!

art of the Sun King's realm grey marble seamed with white and court.

At its centre is the powerful match, with only fantasy At its centre is the powerful figure of Cybèle, who, loves the mortal youth Atys (Attis), and make him her temple guardian; but he loves the nymph Sangaride. In jealousy the goddess drives Atys mad; in frenzy he murders Sangaride, and then, recovering his wits, kills himself in grief. The goddess, recognising the folly of her passion, closes the opera on a note as nearly Racinian as on a note as nearly Racinian as the tragedie-lyrique ever sounded. (There are links between Lully and Racine — the composer is said to have learned about writing French recitative from the declaration of the Racine actives.

recitative from the declamation of the Racine actress Champmeslé — so it seems entirely natural that Phèdre should come a year after Atys). And indeed, a Racinian central quartet—Cybèle, Atys, Sangaride, and Célénus (Sangaride's unioved fiancée)—are bound up in a dark, delicate web of emoin a dark, delicate web of emo-tional intrigue, which the music renders not with Gluckian psychological inten-sity, but in fine, plain exacti-tude. Act 3 closes with an air of sad realisation for Cybèle, work's musical peak; earlier, one of the most famous of Lully's sleep scenes visita-tions sent by Cybèle to tell Atys of her love and warn him

not to spurn it— regales an atmosphere suffused with an ne fourth extraordinary netherworld not endurpoetry. The dances are part of the drama. Each act reaches William an effective "curtain." Because netherworld

> Christie's orchestra is an admirably chosen collection of virtuosos, his edition ideal in "authentic" fidelity. By contrast the production, in Carlo Tommasi's magnificent sets and Patrice Cauchetier's splendid costumes, is not an accurate exercise in period revival but a sort of stylistic resume: the Grand Siècle viewed from our gestique baroque) played with as well as played in. The single set, a vast, symmetrical Ver-sailles chamber in black and

Journeys Among the Dead/Riverside

Martin Hoyle production of Voyages chez les morts under Roger Planchon quivering and strutting with rhetoric and a sense of occasion. In English it takes on

This is one for the survivors of pseudo-intellectual Sixities chic. We that are young (and, with respect to King Lear, after an evening of the septuagenarian Ionesco we feel we have seen just as much and lived twice as long) will be reminded of countless student moductions in our youth of reminded of countiess student productions in our youth of theatre variously termed absurd or cruel. The distinguished French-domiciled playwright's 1982 piece might be labelled "theatre of fear" according to the script's blurb, which is apparently unaware that it is a supreme example of that common genre, the thédire de douleur au derrieère.

First, two cheers for the enterprise. One for Springboard Theatre Company who obviously have courage, energy, memory and an endless supply of throat lozenges; and one for the spon-sors, British Petroleum, back-

of Gaul.

THE ARTS

humour, as in the bus queue of citizens with their contradictory remarks about the weather—rainy or sunny, depending on whether you are holding a parasol or an umbrells.

The serious cide philosophic philosophic

a dogged earnestness that almost convinces us that there sol or an umbreus.

The serious side, philosophical or moral, is, alas, banal.

Having been misinformed by a may be some substance beneath the ropey-old symbolism, glints of absurdist humour, philo-sophical discussions and metafringe theatre for the second day running as to a play's duration, I fied the Frankish flood in full frothing flow, but sophical discussions and meta-physical conjecture, and a surrealistic approach to auto-hiography that incongruously recalls the function of Cocteau's cinematic farewell. Le Testa-ment d'Orphée, And all in the awful inexorable garrulousness not before saluting the mam-moth effort of Mark Sproston. His Jean was light, resilient and unflagging, not least when launching into an immense launching into an immense climactic monologue after two and three quarter hours. Barbara Wright's sturdy translation even manages some puns, while Henry Brown's two-level set, both formally imposing and claustrophobically hermetic, the lighting of Paul Kell and Tim Coucher, and Jonathan Podmore's music (violin plane This is Ionesco's dream-play. The narrator, Jean, wanders through a quest of guilt and longing, eternally seeking the mother who was abandoned by his father and excluded by his stepmother. Identities are superimposed, as in dreams—is this woman his wife mother or

Rossin's writing and the beguing cantilena that presages the mature composer's vocal line.

In a beguiling setting by Terry Bartlett that evokes an sors, British Petroleum, backing an innovative young theatre group rather than (say) a royalty-netting opera production. The slightly dodgy play should not deter BP from supporting more Springboard work. The can imagine the Paris is a station from which one? Where the can stay home and re-read a like.

The House of Bernarda Alba/Globe

Martin Hoyle

The Lyric Hammersmith production of Lorca's last tragedy has reached the West End. Michael Coveney praised the original last autumn. Certainly after the overrated Blood Wedding at the Edinburgh Festival it is good to see a Spanish director, the actress Nuria Espert, who can take this play's similarly growing intensity its crossenda of play's similarly growing intensity, its crescendo of portent and symbolism—the offportent and symbolism—the off-stage pounding of the stallion to be put to the mares, salt split at table, the fil-sugured engagement ring ("in my day pearls meant tears")—without grinding stylistic gear-changes. Aided by Robert David Macdonald's straightforward translation, the story unfolds naturally. Tension mounts through fine ensemble playing, some strong individual per-formances and the awareness, more Latin than Anglo-Saxon, of an implacable destiny work-ing itself out. of Ponnelle-type send-up (in, for instance, the perruqued choristers elbowing for places at stage front), the lines of confluence between "period" and "modern" are organised with revelatory accomplishment.

Two sets of principals have been assembled for alternate shows; our cast on Friday contained, with one exception, none of the small, pallid volcas tained, with one exception, none of the small, pallid volces too often heard on recent French Baroque records (including a few by Christie himself). Cybele was Jennifer Smith: in an exotic head-dress she looked at first a little like Victoria as Empress of India, but on shedding it developed a grand, elegantly stung portrayal, pursently declaimed with ing itself out.

For an English audience this household of isolated and enclosed women who remember, imagine, or long for men exudes the steamy miasms of Tennes-see Williams's hothouse deep south. The trap is avoided by Exic Frigeric's impressive set: courtyard walls soar up to an unseen sky, sun-baked, unyield-ing impassive

Above all, under Miss Espert's direction, the acting goes as far as the British stage can in evoking the emotional repression of Latin Catholicism and the grimly observed pro-prieties of pessant hier-archies. As the household maid, Joan Plowright uses a heavy, slightly swinging walk to con-jure up Mediterranean woman, neither formidable dignity nor remembered sensuality effected by years of drudgery. As the matriarch-gaoler to her five daughters, Glenda Jackson is

Admittedly, problems remain, too young. Rainrod-rigid, her or an English audience this voice barsh, the most ousehold of isolated and enwith sheer intensity. Over-emphasis may explain the odd mis-stress ("according to you" instead of "according to you"), but the integrity and technical command are never

Amanda Root, the pretty one of the brood, and Deborah Findlay, sour-faced and sickly, last after the unseen suitor to their heiress half-sister. This is Julie Legrand, a gawky figure with the long mulish face of a Dutch doll, wistful resignation occasionally, desperately, radioccasionally, desperately, radiated by hope; the production's most moving performance. Patricia Hayes lingers indelibly in the memory as a madly chattering grandmother who is quietened only with a sack over her head, much as a parrot's cage is covered.



Glenda Jackson, Joan Plowright and Julie Legrand

Annette Morreau, who was work to be premiered in responsible for setting up the February 1988, and which will Arts Council's Contemporary receive four concert performments on the february 1988, and which will productions on tour Music Network is to leave the more and a BBC radio broad Council this month to join cast.

Channel 4 as assistant editor, which had a successful run last year.

Arts news in brief...

The award is made by private donors as tribute to Ian Whyte's donors as tribute to Ian Whyte's influence on contemporary arts in Scotland where, in his composition at the City capacity as chief conductor of University, London, has won the BBC Scottish. Symphony sixth Ian Whyte Award, a £1,000 Orchestra (1948-60) he did much commission from the Scottish to encourage young composers National Orchestra of a new and conductors.

After six weeks at the Court from January 22, Road will travel to Bradford, The Swan at Stratford, Bristol Old Vic and Newcastle.

The cast includes Susan Brown, Ian Dury and Mossie

January 16-22

Workshop Richard II' The National Theatre has The National Theatre has taken a workshop production of Richard II on a six-week tour of American universities and colleges, opening at the University of Michigan, ending next month and spending a week in each with programmes of demonstrations, workshops and discussions.

Arts. She joined the Council in 1969.

Music

LONDON

Arts Guide

London Philharmonic, conducted by Christoph Eschenbach, with Tzimon Barto, piano. Brahms. Royal Festival Hall (Tue). (928-3191).

Fires of London, conducted by Peter Maxwell Davies, with Many Thomas, mezzo-soprano; Michael Rippon, baritone. Maxwell Davies. Queen Elizabeth Hall (Tue). (928-3191).

Philhpa Ibbotson, violin; Malcolm Martineou, piano. Brahms, Prokufiev, Mozari. Murcell Room (Tue). (928-3191).

Landon-Philharmonic, conducted by Christoph Eschenbach. Wagnet, Ravel and Schumann. Royal Festival Hall (Thur).

val Hall (Thur).
English Chamber Occhestra, conducted by Jeffrey Tate, with Thomas Alen, barttone. Mozart, Mahler and Schoenberg. Queen Elizabeth Hall

NETHERLANDS

Amsterdam, Concertgebouw. Roland Kieft conducting the Netherlands Student Orchestra, with Marin Mars, violin: Brenhar, Prokuffev, Tchaikovsky (Tue), Samyon Bychov conducting the Concertgebouw Orchestra, with Antonio Meneses, cello: Pannynik, Haydn, Tchaikovsky (Wed, Thur). Recital Hall: Udo Reinemann, baritone, accompanied by Budoif Jansen Schubert (Mon). Peter Zazufaky, violin, and Alan Weiss, piano (Tue). The Amsterdam Harp Quinter: Pieroé, Martinu, Ville-Lobos, Debussy, Jongen (Wed).

olin, and Psul Ostrovski, piano:
Mendelssohn, Schubert, Brahms
(Tue). James Conlon conducting the
Rotterdam Philharmonic, with Inogen Cooper, piano, and Roberta
Alexander, seprano Mocart, Mahla(Thur). Recital Hall: The Rotterdam
Sintomietta under Kees Hillsmann,
with In Hasen Christ and Charlotte. with Jo Hagen, fute, and Charlotte Sprenkels, harp: Mozart (Mon). (414 29 11). trackst, Vredenburg. The Shostako-

(144 28 11).

Utrecht, Vredenburg, The Shostakovich Quartet: Borodin, Schumann, Baval (Tue). (31 45 44).

The Hague, Congresgebouw. The Netherlands Philharmonic conducted from the piano by Jean-Bernard Pommier: Mozart, Schubert (Mon). The Hague Philharmonic conducted by Aldo Caccato, with Michele Campanella, piano: Rossini, Mozart, Tchaikovsky (Thur). (65 18 51).

Eindhoven, Globe Theatre. The Arouet Ensemble: Cima, Castello, Vivaldi, Telamann, Stantix, C.P.E. Bach (Tue). (11 11 22).

Masstricht, Cultureel Centrum. Chamber recital by the Glinka Quartet (Wed). (21 33 00).

Orchestre Colonne, conducted by Pierre Dervaux, Serge Stadler, violin: Bach, Beethoven, Brahms (Mon.). Salle Pieyel (4561 0630).
Chamber Messe, 18th century, Le Guillard and Cohen, piann. Krebs, Mehul, Haydu, Mozart (Mon.). Salle Gaveau (4563 2030).
Jurge Edet recital: Chopin, Grieg, Lizzt (Tue). Salle Pieyel (4561 0630).
Ensemble Orchestral de Paris, conducted by Enmannel Kriving Patrick Gelois, flute: Zimmenmann, Mozart, Schubert (Tue, Wed). Anditorium des Halles (4562 6757).

litusic/Monday. Opera and Ballet/Tuesday. Theatre/Wednes-day. Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

Carnegie Hall: Czech Philharmonic.
Vaciav Neumann conducting, Budolf Firkusny, piano. Smetana, Martim, Dvořák (Mon); Royal Philharmonic. Vladimir Ashkenazy conducting, Lynn Harrell, cello. Strauss, Rachmaninoff (Wed); Royal Philharmonic. Vladimir Ashkenazy conducting and piano soloist. Berlioz, Beethoven, Ravel (Thur). (247 7800).
Chamber Rinska Society of Lincoln Center (Alice Tully): Peter Serkin, piano, David Shifrin, clarinet, Ida Kavafian, violin. Wolpe, Schoenberg, Beethoven, Bach (Mon, Tue). Lincoln Center (362 1911).
Julliard Concerts (IBM Gallery): Spontaneous Winds. Mozart, French romanik and ragitine music for woodwind trio. (Wed, 12.30 pm). 56th & Madison.

Madison.
finale at the Crossroads (Whitney Museam Branch): Jezz pisnists Marian
McPartland and Muhal Richard
Ahrams kick off the third annual
sioweek season of free music, subtitied An American Sampler (Tue, 6
pm). Sculpine Court, Philip Morris
Rade Paul & Dart,

intional Symphony (Concert Hall): Meticlev Restropovich conducting, Un Ughi violin with the Orstrein Society of Washington directed by Robert Shafer. Haydo, Dvořák, Pro-kofiev (Tue); Edo de Waart conduct-

ing, Nigel Kennedy violin. Elgar, Bruch (Thur). Kennedy Center (254 3778). (254 3776).
hamber Music Seciety of Lincoln
Center (Concert Hall): Charles
Wadsworth director. Wolpe, Beethoven, Bach. Schoenberg (Wed 7
pm). Kennedy Center (254 3776).

CHICAGO

Aleago Symphony (Orchestral Hall):
Sir Georg Solti conducting, Itzhak
Perlman violin. Mazart, Dvořák,
Strausch, Vořák,
Strausch, Larry Combs clarinst.
Corigliano, Berlioz (Thur).
(435 8111).

TOKYO
Yoshika Kojima, piano. All-Mozart programme. Lutheran Lehigayo Cenire (Mon). (044 954 0631).
Haruyo Kubo, piano. Ravel, Franck. Ishibashi Memorial Hall (Tre.). (353 2242).
Kse Wel, violin, with Michio Kobayshi, piano. Mozart, Brahms: Chausson, E. Strauss, Ravel. Tokyo Bunka Raikan Recital Hall (Wed). (448 8477/8451).
Traditional Japanese music: Koto, shamisen and shakuhachi pro-

(448 9471/8451).
Craditional Japanese music: Koto, shamisen and shakuhachi programme of works by Sato, Kumiyana, and Mitsuraki. Toho Seimei Hail (Wed). (716 8688).
Contemporary Japanese Music Festival. Ichiyanagi's Paganini Personal for maximbe and piano (Mon); Hinse's Hymn [Tue); Kai group recital Christopher Blasdel, Shakuhachi bamboo fints, Mika Shinko Tokiwazu, shamisen huir; Brian Yamakoshi, koto harp; Hiroko Tsuda, piano; Mika Kimura, sopramo (Wed). Sogetsu Hall, Aoyama Ichome (465 6115).

Allegri Diversi/Sadler's Wells

Clement Crisp

Sadler's Wells Royal Ballet is ending its 40th anniversary season in high style. Thursday final programming brought two creations for the company — David Bintley's Allegri Diversi and Jennifer Jackson's One by Nine—plus the happy acquisition of Frank Staff's Peter and the Wolf, and one of our national ballet's ancestral treasures, de Valois' Checkmate.

Mr Bintley's new piece is a charmer. For score he has turned to two very early Rossini works, little academic exercises of no mean grace for clarinet and chamber ensemble. Their musical propriety and youthful brilliance are matched by choreography for three couples that stresses classic nicety, quick fiorituri of step that catch the allegro brightness of Rossini's writing and the beguil-

of no mean grace for clarinet and chamber ensemble. Their musical propriety and youthful brilliance are matched by choreography for three couples that stresses classic nicety, quick florituri of step that catch the allegro brightness of Rossini's writing and the beguilting contiliers that present the

Terry Bartlett that evokes an Italian garden with its topiary and cypresses, a general dance for the ensemble gives way to some dazzling variations (which follow the musical form) for Sandra Madgwick and Iain Webb, Anne Little and Kevin O'Herry who houses and Sandra Madgwick and Iain
Webb, Anne Little and Kevin
O'Hare, who bounce and
sparkle through the first part
of the score. There follows
what is in effect an extended
pas de deux bristling with
difficulties, which Kare
Donovan and Petter Jacobsson
bring off with splendid daring
and entire aplomb. The cast are
united for a final general dance,
and we are left in a state of and we are left in a state of entire pleasure at this display of buoyant technique and youthful high spirits. The piece is unaffected, open-hearted, smiling, and beautifully crafted

by Mr Bintley.
Miss Jackson's One by Nine is rather more serious in intent.
Deanna Petherbridge has produced a handsome set of a skeletal Greek temple, drawn in

Checkmate looked under-powered in this performance, a sad fact for a programme dedicated to the memory of Sir Robert Helpmann, that un-Robert Helpmann, that un-forgettable first Red King of the production. The choreo-graphy is tougher, more muscu-larly alert and more meaning-ful in its attitudes than this cast could show us.

nuance of an adorable work. Christopher Gable was the christopher Gable was the excellent narrator; among a strong cast mention must be made of Marion Tait's merry Peter and of Stephen Wicks' blustering Huntsman. This is a most welcome addition to SWRB's repertory, not least because it reminds us of Frank Staffer tree and memorable true and

Sinfonietta Response

Andrew Clements

of the London Sinfonietta's "Response" weekends on the South Bank took a battering from the weather. Friday's concert, the focus of the day's programme of workshops, master-classes and foyer performances, was to have been attended by 400 students from Kent schools, who had been working with the Sinfonietta for several months on projects relating to the programme. But snow kept them at home, and the Elizabeth at home, and the Elizabeth Hall was therefore rather the occasionally sparsely populated for the gentler subtleties of the last

sparsely populated for the appearance by the Sinfometta Birtwistle, Messiaen, Stock-hausen and Kenakis, familiar Sinfonietta favourites all, were the featured composers for the weekend. All but Stockhausen were in residence for at least the Saturday music sounded in some of the events, and all were represented in the Voices programme. Stimmung was the Stockhausen morsel, a 25-precise, and the individual players—all of whom had it can be parcelled up quite

More intriguingly, 30 "Cantus". line in Birtwistle's students from six colleges who had been working with the ance was breathtaking.

Sinfonietta singers on Stimmang had earlier given a plano in Messiaen's Oisecux massed-voice version of a 12-exotiques and Couleurs de la

pella piece, mining one small vein of the Orpheus material vein of the Orpheus material that took on so many forms for Birtwistle other than the opera, and fashioning a miniature ritual drama all of its own. The Sinfonietta Voices controlled it splendidly: Sarah Leonard outstandingly took the high soprano line for Eudydice, while the high-density clusters of pitches that form its claimax were ringingly precise.

Nuits places very different demands upon singers, Almost 20 years on it seems a less extreme work than it did, and perhaps a more moving tribute.

perhaps a more moving tribute to political prisoners because of that. One detail of the presenta-tion here was a mistake: the searchlight roaming the auditorium to generate intensity was simply a distraction—there

The initial stages of the third is more than enough drama in the London Sinfonietta's implicit in the score.

mossics in the middle. It made a slightly daunting sequence of hard-edged music, but it was exhibitatingly delivered—and it flattered the occasionally gentler subtleties of the last and best piece, Birtwistle's Secret Theatre.

any way scamped: on the con-trary, under Diego Masson's direction it was all dazzlingly precise, and the individual players—all of whom had prominent and fearsome passminute chunk (not so bleeding; players—an or whom man it can be percelled up quite prominent and fearsome passpainlessly) from the six-voice ages to execute—were sense-nucleus of the chorus sung in English, which conferred a lightly, for tingling colour and dubious comprehensibility upon the texts: all the resonances of ments here. From the madiy the German works and syllables disappear, and one is left with and starkly chorded brass in their commonplace equivalents.

More intriguingly, 30 "Cantus". line in Birtwistle's students from six colleges who

many had earlier given a plane in Messiaen's Oiseaux massed-voice version of a 12minute section. Inevitably some of the detail of the piece goes in its expansion, but the richness of the sound, and the vitality and wit with which it was presented, justified the enterprise ampuly. The remainder of the evening left the vices in more or less unadulterated form. Messiaen's frather fierce performances, which wielded so much manic sable inclusion, but Birtwistle's Couleurs—the one eager and on the Sheer Threshold of the Might and Xenakis's Nutts offered more rewards.

On the Sheer Threshold remains a beautifully sustained, immaculately articulated a cappella piece, mining one small

Silbury Air again sounded rich, tantalising and ingeniously fractured. I'm not really sure Secret Theatre is a "better" piece, but it is easier to get one's ears round. Pre-vious performances of Silbury Air have given more weight to the strand of the music that suggests something ancient and immovable that Masson chose to do; it made less of an anchor. do; it made less of an anchor, and the whole montage reeled more wildly. Secret Theatre was marvellous, the unstable balance between "Cantus" monody and churning "Continuum" background perfectly realised. Textures like shot-silk, like enamels, like Dubuffet "earths" and the eloquent inventions of the lyrical line given full dramatic power. given full dramatic power.

David Murray

LCDT to tour for five weeks

LCDT to tour for five weeks

London Contemporary Dance
Theatre will begin its 21st year in the spring with a five-week tour featuring two world premières — by Siobhan Davies and American Daniel Extalow — and the British première of a new work by Robert Cohan.

Siobhan Davies' ballet Red Steps will be designed by rogations by Robert Cohan.

British painter Hugh O'Dounell Sioghan Davies' And Do They and receives its first performance at Canterbury on February 19.

Daniel Extalow's ballet will be performed two days earlier.

Robert Cohan's new work Video-Life will be performed in Oxford in March, with the work played by the composer, bassist Barry Guy.

Other works in the programmes include Troy Game by Robert North, Moves by Jerome Robbins, Ceremony and Intervogations: by Robert Cohan.

Sioghan Davies' And Do They Do and Christopher Bannerman's Unfolding Field.

After Canterbury and Oxford, the tour will go to Southampton, Glasgow and Aberdeen.

be performed two days earlier. Glasgow and Aberdeen.

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On the 30th december 1986, the CGE and ITT Telecommunications, in association with the Société Générale de Belgique and Crédit Lyonnais, have decided to group all of their communications activities under the control of a common company based in the Netherlands: Alcatel.

The new group thus constituted immediately presents itself as a world leader in the

Alcatel, because of its technological capafield of communications. bilities, its financial base and expertise, has the necessary means for developing new technologies which will enable it to play a decisive role, on the world scale, in all future areas of communications.

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CGE AND ITT TELECOMMUNICATIONS: THE WORLDWIDE CONNECTION

FINANCIAL TIMES

Telegrams: Finantimo, London PS4. Telex: 8954871 Temphone: 01-248 8000

Monday January 19 1987

Bad omen from Peking

of Hu Yaobang as China's party boss, after several weeks of mysterious absence and official myserious absence and omicial stonewalling, casts a shadow over all China's ambitious plans for reform and modernisation. Hu's departure shows beyond doubt that while Paking has begun to instal some of the trappings of a modern state, the crucial decisions are still taken behind closed doors after days of intrigue by a small days of intrigue by a small group of powerful and mainly elderly leaders. Even for the economic reform, let alone for any reduction in the party stranglehold on Chinese life, this is a had owen

The impact on Hong Kong's confidence just as the new Governor, Sir David Wilson, takes over may also prove serious. Among the large inter-national business community, the sudden appearance of in-stability in the Peking leadership is certain to raise questions about China's attitude to the territory during the run-up to the hand-over in 1997, and inthe hand-over in 1997, and in-deed thereafter. While Hong Kong Chinese businessmen have so far mainly been unconcerned about the December student demonstrations in China, they would see a threat to Peking's economic reforms as alarming. Hu Yaobang was not directly involved in running the economy, but his party contacts stretch through the Chinese

Closed ranks

Mr Hu, who apparently was forced to resign for allowing bourgeois liberalism" to continue unchecked till it led to the student demonstrations, remains on the key polithureau standing committee, but, after the recent publication of his errors, nationwide in China, is and may be forced to retire completely at the forthcoming party congress in September.

China's supreme leader, Deng Xiaoping, has evidently closed ranks with party conservatives, demanding an end to talk of greater democracy, but his posi-tion as the inspiration for China's reform is bound to be

The long-term outlook for political stability is suddenly

was that, after Deng, the collec-tive leadership led by Hu and the Premier, Zhao Ziyang, would be strong enough to keep China on the same moderate and modernising road. That assumption has proved in-accurate, and there is no sign of an alternative and secure succession.

For the moment, the cracks are papered over by the appointment of Premier Zhao as acting general secretary in appointment of Premier Zhao as acting general secretary in Hu's place. Zhao, though no liberal, is an economic reformer, and his record in liberalising the old Maoist structures, such as the communes, is good. But there is no real sign that he, or indeed many others among China's senior leaders, recognise that a modern economy, and especially modern economy, and especially modern industry, require management skills quite different from those currently exerted

by the Communist Party. Much of the debate over political reform this year focused not on free speech or elections but, more essentially for the moment, on the need for the party to withdraw from management. The fact that it is now unlikely to do so is a bad sign for the economic reform.

Indirect damage

There will be other indirect damage. Although Chinese offcials say the economic reform will be unaffected, it is inevitwill be unaffected, it is inevitable that local managers will feel less free to take the bold decisions which such reform requires. Local party officials, usually conservative since the traditional party system gives them perks and privileges, will aigh with relief and keep to their bad old ways. No matter how much encouragement Peking now gives to the writers Peking now gives to the writers and scholars it so badly needs to produce an atmosphere in which innovation can flourish, no intellectual is likely to raise

his head above the parapet now that hard-liners in Peking have again shown they will rebuff anyone who gets too far in

The Western world, just becoming used to a seemingly stable China under Deng Klaop ing, may after all have to review its preconceptions.

Too many carrots for Japan

JAPANESE investment in commerciany-sound sepanese in-ferrope has turned out to be vestment. The bidding contest more of a gift horse than a between European nations—and Trojan one. Yet, largely because within nations—is wasteful. For governments have used the stick every wisner in these beauty of rest or threatened import re-strictions and the currot of start-up subsidies to bring in the beast the "quality" of Japanese investment so far has been disappointing.

Forcing Japanese companies to set up shop in Europe for political reasons is one thing. Getting the quality—in terms of technology transfer, job crea-tion and local content—is another. The EEC Commission is nevertheless taking a further step in this direction by con-sidering whether to extend anti-dumping duties to imported components of products already subject to such duties. Closing this loophole is designed to dis-courage Japanese mustinationals

from building more low value-added assembly, or "screw-driver," plants.

The proposal has prompted an uncharacteristically stiff let-ter of protest from the Japan-ese business confederation, the Keidanren, to say that future investment in Europe could suf-fer. Whether the letter should be seen as a warning or a threat, the uncomfortable fact is that Europe is for many Japanese companies very much a third choice of location after North America and South-East

The stick of diplomatic or administrative pressure has worked in the past, to the extent that it has forced the reticent Japanese to go abroad and learn how to live and work in silen cultures. They in turn have re-educated wessern man-agers in the arts of production

Ment. In Britain, for example, in the like any other, is his sponsors last week by announcing a further £7m investment instance, the prospect of a in South Wales to build microsing e market of the sort he wave ovens. In the same week knows he will find in the US

Jan Sala

contests there have to be severa losers; and only in very few cases are cash or facal sub-sidies the deciding factor. The contests may be due to

been spent on winning the prize, the investor may one day be forced to pull out, as Caterpillar of the US was forced to pull out of Scotland fast week. That was a heavy blow, but no heavier than if a British company had made a similar decision. The EEC Commission will undoubtedly want to maintain the pressure on Japan to convert trade into investment, not least

But it should now look again at intra-EEC incentive contests, whose justification gets ever weaker. The high yen will force still more Japanese companies abroad, in spite of rising unemployment at home. Cost competition will bring manufacturing closer to the point of sale. The same cost pressures will compel companies to buy their components locally when they can. Japan's huge export revenues will have to find an investment home — not just in manufacturing, but in services and property too. The Japanese takeovers to their investment

repertoire.
The Commission may find it agers to the arts of production engineering, quality control and industrial relations.

Bidding contest

Likewise, the carrot of let alone the problem of generous subsidies has been justified by the job security that Japanese investment brings to regions of high unemployment. In Britain, for example, like any other. Is his

wave ovens. In the same week knows he will find in the US the Midlands new town of Telford, where unemployment is at nearly 20 per cent, landed a ESSm manufacturing investment by NEC Corporation, the Japaness electronics giant.

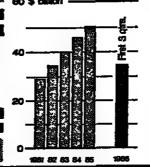
Yet the present contradictory combination of incentives is a poor way of guaranteeing that in the end, 4s the way to get Europe will get its fair share of both quality and quantity.

an exaggerated notion of the value of Japanese, or indeed any foreign investment. In the last resort, however, much has

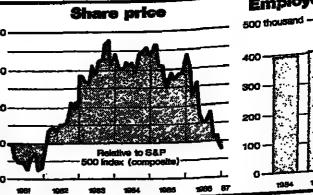
because of the recent diversion of its exports from the US into European markets.

Investment incentives

But it should now look again and property too. The Japanese may add industrial mergers and







Big Blue ready to hunt with the pack

By Guy de Jonquieres

the contents offer much in the way of comfort and joy.

The message inside from Mr John Akers, IBM's 51-year-old chairman and chief executive, is uncompromising. It stresses personal sacrifices for the good of the company, the need to be impatient with the ordinary and to "get it done right now." Yielding briefly to the spirit of the season, he concludes: "I urge you to take the time during the holidays to enjoy yourselves."

Exhortations to try harder are into promising markets such as telecommunications all conspired to give IBM a golden aura of invincibility. For four successive years until this year, readers of Fortune, the US the world's largest computer maker. Rarely in its recent history, however, has IBM had to appeal for more blood, sweat readers of Fortune, the US business magazine, voted it America's most admired com-

to appeal for more blood, sweat and tears than today, as it struggles to escape from a prolonged slowdown in sales and profits which has left it looking unexpectedly vulnerable.

Not long ago, IBM was widely regarded as almost immune to recession. But a string of disappointing quarterly results has led Wall Street to wipe nearly \$25bn off its market value in the past 12 months, and this week IBM is expected to announce a drop in full-year announce a drop in full-year profits for the second year in Hard times have brought painful surgery. Though IBM says it remains committed to

avoiding redundancies, about 12,000 of its 242,000 employees in the US are being encouraged to take early retirement by the middle of this year, and many these contracts are also due to on capital investment—mu automated others overseas are also due to go. Mr Akers says still further worldwide cost cutting will be Top management has been shaken up and thousands of staff are being redeployed from

stan are being reneployed from headquarters, product divisions and manufacturing into sales and customer support. Right across the company, IBM is wrestling with the levers and twiddling the knobs in a furious effort to programme itself for renewed growth.
Seldom has any company of its size suffered quite so sudden and brutal a reverse in its fortunes. Until two years ago, IBM was, in the words of a former chairman, "firing on all 12 cylinders." Carried forward on a powerful surge of growth, it almost doubled its net income and revenues between 1980 and

Rand New Year Issue of "Think," the house magazine of International Business Machines, should not be misled by the jolly snow scene on the cover into thinking that the contents offer much in the

Exhortations to try harder are

well-disciplined workforce of

A brilliantly-managed entrée into personal computers, a forceful ressection of its preeminence over Japanese com-petitors in large mainframe

The good times were so good, indeed, that IBM began to believe they would go on forever. Mesmerised by their own success, top managers talked boldly of annual sales of \$100bn by 1990. As Mr Paul Rizzo, its vice chairman, admits stoically today: "Large organisations have a high propensity to build no momentum. Someto build up momentum. Some times we think we have dis-covered the secret magic of the world and everything is going well. So we over-expanded." IBM has backed its gamble on growth by spending some \$20bn in the past five years

sutemated mass-production plants—and by increasing its worldwide staff by more than 60,000 to just over 400,000 since 1980. An ambitious diversification strategy led it to take stakes in Intel, a big US chipmaker, and Bolm, a lead-ing private telephone exchange supplier, and to help set up Satellite Business Systems, an dvanced business communica tions service from which it has

By its own admission, IBM

was quite unprepared for the severity of the downturn which struck the US computer market in 1985 and is now spreading to western Europe. To be fair, it was not alone. The US industry is now in the throes of major restructuring which has sent established manufacturers including Burroughs, Sperry and Honeywell scurrying for merger partners and driven many smaller and younger hi-tech companies to the wall.

IBM faces adversity from a position of still formidable strength. The world's most profitable company, with the

since withdrawn,

biggest stock market capitalisa-tion and an immensely strong balance sheet, it possesses a tightly-integrated global net-work of subsidiaries, an almost unshakeable grip on the main-frame computer warrat a blowed for some of the next to frame computer market, a tightly-run management organisation and a highly-trained and

committed staff.
However, it is also burdened with challenges equal to its size. win challenges equal to its size,
"Their very success is now
working against them," says Mr
Bill Michaels of Booz, Allen and
Hamilton, the New York
management consultants. "They
have the toughest internal management problem of any company I can think of."

Headlong expansion created a structure which needs sustained volume and growth to be economic. Many of IBM's new fac-tories were designed to operate efficiently only at high output, while a rapid shift from equip-ment rentals to outright sales as the mainstay of its revenues has eliminated a dependable stream of income and tied its performance much more closely to fluctuations in new orders.

Mr Frank Metz, IBM's chief financial officer, says cost-cutting has lowered its breakeven point by 4 to 6 per cent in the past two years. But its dogged commitment to avoiding compulsory lay-offs limits the scope for really drastic action. As a consequence IBM, with 70 per cent of its expenditure related to personnel, is locked into much higher fixed costs than most of the US expenditure.

a return to stronger economic growth and capital spending in the US could do a lot to get IBM moving again. But Mr Akers is moving again. But Mr Akers is counting on no help from that it quarter this year. "What I think this management needs to do is manage our business as prudently and as cautiously as we possibly can," he says.

So it will be up to IBM to manufacture its own growth for the foreseeable future. It is pinning hopes on a planned bilts of new product launches price for them. Some analysts think IBM may also launch a low-cost model. While that might win back market share from the "clone-makers," at least temporarily, it is is doubtful whether it would achieve the high levels of profitability which IBM regards as acceptable.

IBM's most widely-publicised weakness is in the mid-range,

in IBM's product line are to blame for some of its problems.

"With the exception of large computer systems, our product cycle has not been as strong as it might have been," he says. Indeed, even mainframes, which provide an estimated 40 per cent of IBM's total revenues and as much as two thirds of

Sales of the 3090, its newest and biggest machine, have suffered because of delays in providing software needed to tap its extra performance. IBM says things have now improved. But a recent poll of 450 large industry consultancy, found they planned to buy only two-thirds as may 3090s this year as last, At the bottom end, IBM's leadership in business personal

tors, mainly from the Far East, selling "clone" machines which offer as much or more performance but at far lower prices. IBM is expected to strike back soon with a high-end PC, containing proprietary features which the "clone-makers" the "clone-makers" find hard to copy. Mr

Allen Rrows, a senior vice president, says IBM wants to establish a size to nine-month lead over its rivals. But the gambit is risky, since it depends on building into the machine innovations so com-Most industry analysis think pelling that customers would be prepared to pay a premium price for them.

years ago Daiton wrote in his-diary: "This is a complete thunderelap." Chancellor Law-

son must be hoping for a quicker thaw this time than in the year Dalton called his cause

where it has been thrown on to the defensive by the resurgence of Digital Equipment (DEC), the second largest US computer maker. While it is unclear how far DEC's recent runaway success has been achieved at IBM's expense, at has shown the bigger company up as slow to spot an important new market

DEC is the first big supplier to offer a unified product line, in which all the different models are designed to be connected to ch other and to IBM products. This is a strong selling point for large customers who want to spread computing power across their organisations by tying minicomputers together in net-

IBM's product range, by con-trast, is a mish-mash of different system "architectures" and operating systems

IBM tried to unity its range in the early 1980s but gave up after spending an estimated 51bn. Stung by DEC's success, it is trying again. It plans to phase out several of its existing mid-range models and is launch-ing a new minicomputer series, the 9370, which will use the same software as its largest

That will still leave IBM with five separate architectures. To bridge the gaps between them, it is making a crash development effort to enable the same programmes to be used on any

There are signs that these actions may have curbed customer defections, but they will take sime to pay off folly.

Some IEM managers now agree that the company is pay-ing the price for an excessively ignored changes in the market. "In the 1970s, we migrated more towards a product view of the world. We got the cart before the house, the product in front of the customer," says Mr Gerald Ebker, president of IBM's Federal Systems division. "We're trying to get back to

does the customer want? "To find out, IBM is reorganising its US marketing effort, shifting emphasis away from a centralised, product-based structure and trying to learn more about customers' businesses. It is moving 5,000 more people into its US branch offices this year and plans to increase the number of staff supporting its 600 largest US accounts by as much as 50 per cent.

If has also set up groups to explore emerging market to explore emerging market topportunities, particularly in services and software, and is forging alliances with independent systems houses specialising in fields such as banking. In a recognition that interconnectivity

Employees

recognition that interco tion between computers cuts both ways, it is even offering to link its equipment to other manufacturers'.

Customers say they have begun to notice a difference, though many think IEM still has a lot of estehing up to do. If sheer energy and force of numbers are all that is needed, few doubt that IBM has what it takes. After what Mr Akers calls an invigorating cold shower, the company seems set to emerge leaner, fitter and

more competitive once the current slowdown ends.

However, the markets in which it operates are changing and becoming much more diverse. Maintrames, the fabulously profitable bedrock of Tellife commercial power are a IRM's commercial power, are a relatively mature business. The volume products where growth is fastest are becoming low-margin commodities, due to margin commodities, due to fierce competition which is shifting the search for value-added towards software and services. The collision of computing and telecommunica-tions is creating massive technical challenges, to many of which no easy solutions yet

To satisfy its appetite for growth, IBM must increasingly thrust into new and unfamiliar market areas. In many of them, the risks are high and the company's huge size may not necessarily be an asset. To win future business, it will have to bunt more with the pack rather than, as was once the case, ride majestically

ance the case, ride majestically above it.

That, in turn, will make IRM more sensitive to furthations in the industry cycle. As Mr Metz, puts it: "We are ming to see more volatility in our results. We'll have good years and less good years, and the swing from peak to trough will be larger than we're seen in the past." For IBM, the tribulations of the mid-1980s look like a turning point in more ways than one. ways than one.

Building for coalition

Into the rising debate on the future direction and style of Britain's building societies comes former merchant banker Benedict Thompson McCausland, aged 48.

He is leaving the chief executive's chair at London Life Assurance Association after six years to divide his time between Bradford and London as chief executive of the National and Provincial Building Society.

Rather shying away from such a crude term as future "mergers" in the building society industry—and, of course shunning talk of anything as vulgar as "take-overs" here geothy suggests to me that there will be "a certain coalescing taking place in the industry."

Thompson-McCausland's ov starts with Eton, Trinity, Cambridge, and a rowing blue. Then to Coopers and Lybrand to become an accountant. He then spent 16 years merchant banking with Arbuthnot Latham, becoming deputy chairman.

I believe he will set some



been on that damn

Men and Matters

off on a sall-board from a stand-ing start. Indeed, if there are any contenders for this record will they please send along a home movie of their prowess?

vation Army this week to pass on spare items of clothing to needy Londoners.

Unlike many of the bonds issued in the Eurobond market Greybeards in this office remember his father, Bank of England official Lucius Thompson-McCausland, whose name was attached to a famous report

in the early 1960s about the international monetary system and liquidity. It was eventually subsumed by the then Char-cellor, Reggie Maudling, into a report of his own.

sort of a record by being the first top man in the building society movement who can take

Pink-handed A reader reports an outbreak of what he calls Roseate

Kleptomania. He divides his railway journeys roughly equally be-tween First Class and Second Class travel. Last year his FT was stolen on three occasions when he left First Class compartments

for a few moments. He never suffered such a grievous loss while travelling Is this a case for a psychiatrist, a detective, or a financial analyst?

Woolly issue

It doesn't take a financial wizard to work out that most Eurobond market folk in London will have at least a couple of old Pierre Cardin cardigans to spare—even if reports of their spare—even if reports of these salaries are sometimes greatly

During the perishing weather a number of Eurobankers have decided that now is the time to The Bond Club of London-

jollification society best-known for its irreverent annual Finan-cial Crimes—is underwriting a campaign together with the Sai-

on spare items of clothing to needy Londoners.

Unlike many of the bonds assued in the Eurobond market in recent months this project is sore to find genuine investor

Political chill

What effect might the cold weather have on the fortunes of Mrs Thatcher's government in an election year? The question is far from

academic as Britain shivers, and most commentators bet on a 1987 election. Usually, pre-election weather is seen mainly in terms of its positive influence: a hot summer producing a mellow climate for an autumn poll, or

merry spring days in May or However, the newly published Political Diary of High Dalton, edited by Ben Pimlott of London University, (Jonathan Cape £40) contains a reminder that had weather can also have a sharply negative limited.

impact. Things were going fine for Chancellor Dalton and the Attles Labour government until the big freeze-up of January-March 1947. Then, as Dalton's diary reveals, the economy ground to a halt. On January 28 that year Big

Ben struck once at midnight and then — because of the intense cold—fell silent. Two days later Emanuel Shinwell, the minister for fuel and power, announced wide electricity cuts. Unemployment rose sharply. There was a big loss of production for export. And a sterling crisis followed, precipitating an emergency austerity budget at the year's end. The government never recovered its former standing.

have noticed that Big Ben stuck again in the cold last week.

Stiff gins. Visiting Washington during the

past few days to put a human face on the simmering agricul-tural trade battle between the US and the EEC, Norman Burrough, chairman of the independent gin firm, James Burrough, has been meeting officials to plea for a settlement ment.

If no agreement is reached by the end of this month the US intends to slap a 200 per cent tariff on his Beefeater the starting point of a good Dry Martini for millions of Burrough does not put his

faith in civil servants alone, however. He has launched an appeal to the average American's sense of fair play (and to all those gin-drinkers) by having his US agent take a full page advertisement in the Washington Post. It declares that: "After 200 years the US Government is finally getting back at the British tax Party. . . . "

Burrough, in a letter to Ronald Reagan, says his com-pany would be hard-hit because he does half his world business in the US—in fact, he provides 43 per cent of all the British gin consumed there. He was last seen heading east

towards Brussels to "make a lot of noise," and try to prevent job losses among his 550 employees. Corporate charm

It's back to work with a venge-

ance at American Express,
"Gold Card users are getting a
sweet and sour message with
their monthly statement: "Wish you and your family a Happy New Year . Please ensure your remittance reaches us by 21/01/87." Those who seek omens will

Observer

COLD CRISIS

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FOREIGN AFFAIRS

Liberté, égalité, communauté

By Ian Davidson

However, those who sat through the entire performance, which lasted nearly two hours, could scarcely have falled to be im-

may have been puzzled over how to identify, in the flood of Gallic rhetoric, the essential message and the purpose of the presi-

Image of 18th century Europe's freedom of movement and community of culture

dent's visit. Was it just to give an appealing resonance to a general aspiration which he has nursed, as he proudly told us, since the European congress at the Hague in 1948? Or was there a more specific objective? What, if it came to that, were his real reasons for delivering the speech in London, rather than in Bonn, Rome or Brussels? My main impression of the Mitterrand view of Europe is that it has three striking characteristics: it is uncondi-

play the long-term significance obviously insufficient.

of the Community process and a Rather less explicit was his taste for more; Francois of British participation in it: implication that the political Duchens, academic and journess of course, get the purpose of the enterprise natist, invented for Europe Community to carry out its should be to restore. Europe's the concept of a civilian treaty obligations by removing relative strength and indepen-

PRESIDENT Francois Mitterrand came to London last
Thursday to deliver a speech on
the future of Europe, at the
Royal Institute of International
Affairs. The occasion was impressive, both as an event and
as a performance; yet at the
same time, it was also strangely
bizarre and baroque.

The speech certainly did not
lend itself to neat encapsulation
which may explain why some
newspapers did not report it at
all the following morning, while
those that did gave rather
diverse and patchy accounts.
However, those who sat through
the entire performance, which
lasted nearly two hours, could

the entire performance, which lasted nearly two hours, could scarcely have falled to be impressed both by his vision of a genuinely integrated and independent Europe, and by the scale, the sweep and the elegance of his discourse.

Nevertheless some of the Europe's farm surpluses are an abuse which must be reformed, partly through budgetary discipants. stone of the arch of the Com-munity, which cannot therefore be touched. President Mitter-rand concedes freely that Europe's farm surpluses are an abuse which must be reformed, partly through budgetary disci-pline; but at the same time Europe must decide what kind of farm policy it wants. Impli-cation: it may, and perhaps must, be a significantly different policy from the one we have

> What was missing from his speech was any adequate explanation of why his vision of a comprehensively integrated Europe should command the willing political supports. The Community governments: The Founding Fathers did their best to avoid contentions questions about the long-term political destination of the Community by focusing the policy objectives mainly on the creation of a customs union. But it is evident that that every successive step touches more insistently on the nerve of national sovereignty.

Anyone who urges a vision of an ever more united Europe has some obligation to provide a credible motivation. President characteristics: it is imconditional, it is comprehensive—and it is undogmatic. What makes a credible motivation. President them striking is that they are not the characteristics you would naturally expect of a practising politician, least of all, perhaps, a French politician. The natural tendency of British politicians is to downplay the long-term significance of the Community process and of British participation in it:

Rather less explicit was his implication that the political purpose of the enterprise



dence. Europe needs to com-pete with America and Japan; so it must fight all forms of so it must fight all forms of protectionism. The European Monetary System is an island of relative stability; but it is threatened by the instability outside. Co-operation on defence is a sine que non for a successful Europe, while a confederation would have to include a European Defance Community. Community.

This seems to me to be closer to the heart of the problem. The Founding Fathers thought that one thing would lead insensibly to another and that the success

perity is unlikely to be a sufficient motor, because it will appeal more strongly to the poor than to the rich: the Germans have been among the least enthusiastic to liberate the terral market because the internal market, because their prosperity depends least upon it. If there is to be any plausibility in President Mitterplausibility in President Mitter-rand's larger vision, it must be because it appears to offer the best chance of defending the totality of Europe's interests, political as well as economic. That seems to imply that defence and security, the political issues par excellence, need to play a greater role if the European enterprise is to manage its internal squabbles.

This thought has been occurring with increasing intensity to many people since

revolution implicit in the Star Wars programme, the bombing offer, because it implies a reium raid on Libya, the second to the integrated institutions of strategic revolution implicit in Nato and the renunciation of the Reykjavik summit — all these events have suggested nationally independent defence that Europe may be overdependent on the US. But French refusal makes the Gersince defence and security are even more sensitive, politically, other French moves to express than the harmonisation of turnover taxes or common standards over taxes or common standards for beer, and since the member

states have different views on defence and security, it is hard to know how Europe can become more self-reliant. In the past year or so, the Institute Francaig des Relations Internationales, France's major foreign policy think-tank, has been conducting two parallel studies: on Franco-German defence co-operation, with Deutsche Gesellschaft for Answartige Politik in Roun, and on Franco-British defence co-operation, with Chatham House in London. The first of these sindies, "Le Couple Franco-Allemand et la Defense de l'Europe," has just appeared as a book.

What makes it parallels

What makes it peculiarly interesting is the intensity with which it highlights the divergence of defence doctrine between France and Germany. That divergence goes back 20 years, to the French decision to leave the integrated institutions of Nato; but it is symptometric that the company of the comp matic of the increased salience of the defence issue that it has now become acceptable to venti-late mutual reproaches which previously had to be bitten

In recent years, of course, the French have taken some steps sowards the Germans: the formation of the Force d'Action Bapide, support for the deployment of Euro-missiles, more formal discussion of defence issues, mai discussion of derence somes, the offer of consultation on the use of French tactical nuclear wespons. The evidence of this study suggests, however, that the essence of the defence differences between France and Germany remains as intractable

the election of Mr Ronald Germans want is an automatic Reagan to the American presi-dency in 1980. The belligarent ventional forces in the forward rhetoric of the early years, the defence of German territory; Euro-missile crisis, the strategic but that is the one thing which the French are not yet ready to offer, because it implies a return to the integrated institutions of

> This argument is not set in concrete, however: shifts in the postures of the two superpowers could change the name of the game quite radically. Over the past 20 years, the US has lost that nuclear superiority which made it possible for General de Caullet to also at independent. made it possible for General de Gaulle to-play at independence; for this and other reasons, the authors of the Franco-German study forceast that by the end of the century the US will have significantly reduced its com-mitment, and specifically its

nuclear commitment, to the defence of Europe.

If so, the defence of Europe become more problematic European self-reliance will become more necessary; but at least the Atlanticist-Gaullist argument between France and Germany will have lost most of its meaning. If these considera-tions were in President Mitter-rand's mind last Thursday, he did not betray them; on the contrary, he was at pains to stress his commitment as a loyal ally of the US.

But perhaps serious disens-sion of Europe's long-term defence dilemma is, after all, best kept within the decent obscurity of an academic text, at least until governments are readier to make new arrangements and to renounce old

Le Couple Franco-Allemand et la Dejense de l'Europe: Karl Kaiser, Pierre Lellouche (Eds) IFRI, Editions Economica,

Lombard

World economy's black hole

By Samuel Brittan

THE WORLD'S currency turmoil reflects a conflict between the United States which wishes to improve its international competitive position faster than the main surplus countries, Japan and Germany, are willing to allow theirs to erode. In Britain a little local row is erupting as the Labour Party prepares to fight the election at least in part on a balance of navneuts alarm. payments alarm.

Few people nowadays expect the backroom boys of the world economy—those who prepare the statistics and economic analyses for the international institutions—to have convincing remedies for its problems. But at least they might refrain from making matters worse by pub-lishing statistics which selfevidently err on the pessimistic side. The errors derive from the individual national statistics, but the international experts have a duty to eliminate incon-sistencies which add to world

What I have in mind is that as a matter of definition one country's deficit is another's surplus. Yet the sum total of world deficits and surpluses, estimated for instance by the OECD, is not zero as it should

This \$80km gap is sometimes called the "balancing item" and sometimes errors and omissions. It consists of credits which the payments statisti-cians have been unable to allocate. In economic terms it is more like a black hole. As the mind tends to boggle

As the mind tends to boggle in the face of double digit billions, the size of this figure can be appreciated by comparison with the US current payinents deficit, which is put by the OECD at \$135bn and \$140bn, footh for 1986 and omissions were attributable to the US—which is not impossible in view of the dollar's tole in world finance—the US payments deficit would come down to \$60bn, a level with which the US could easily live. Even if half the unallocated credits were attributed to the US, that country's payments would be just below \$100bn—not very comfortable, but less of the world break up for their summer vacation.

cures which are worse than the disaster. The purely neutral procedure of allocating the unattributed sums to countries in proportion to their share in the imports of industrial countries would give the US about a quarter of the balancing item, or \$200n—at least a useful shawing of the overseas

per cent of the trade of the industrial countries. If it is allocated its share of the OECD balancing item on this basis, its halancing item on this basis, its current account improves by nearly \$6\text{hm}. This is enough to turn the \$4\text{hm} UK balance of payments forecast for 1987 by the OECD into a small surplus. In sterling terms the OECD's forecast deficit of \$3.2bn—higher than the forecast of the British Treasury—is reduced by over \$4bn and turned into a surplus of £1hn.

A cross-check can be made with the UK payments statistics. These show a huge balancing item, which in the last four quarters was positive by almost £6bn. Conventionally this is attributed to the capital account. The rule of thumb methods I have suggested for the world might lead to some £4bn being transferred to the 54bn being transferred to the current account.

Much more important, however, is the fact that the \$80bm black hole is a self-inflicted wound in the world political economy. If too many countries think they are in deficit, the result will be restrictive measures, not only in overall financial policy, but in trade policy—at a time when the semi-liberal system the world now enjoys is under threat.

The people whom Burke called "sophists, calculators and economists" could render one great service to mankind

Restrained spending

From Professor G. Jones and Mr T. Transers Sir,—The chart in Samuel (January 15) shows someth intriguing about the relative constraints on local and central vernment spending pro-ammes since 1978-1979. Each of the above-average

"real terms" increases shown for individual programmes in the chart occurs in program-mes controlled almost exclumes controlled almost extra sively by central government departments. Of those spending below the average (in some cases involving real cuts) the vast majority of the pro-grammes are under local grammes are una

This imbalance is empha-sised by a table in the Treasury and Civil Service Select Com-mittee's recent report on the Chancellor's autumn statement. The table shows percentage growth in public expenditure from 1978-1979 to 1985-1986 by

Defence	4.8
Home Office	5.3
	-0.2
Education	
Health	24
Carried Consultan	3.8
Employment	7.5
	-1.4
Transport	
Environment	-1.1
	-7.1
Housing	- 1 44

Each service showing an increase is very largely controlled by central departments, whereas reductions have taken place in services (e.g. educa-tion. environment) where local authorities are responsible for

expenditure.
While there may be demographic reasons to explain part of the difference between the achiavements of local and central government, the figures show how restrained local authorities have been in contrast to their media image of irresponsibility.

[Professor] George Jones.

(Professor) George Jones, (Professor) George Jones, London School of Economics, Tony Travers, NE London Polytechnic, 12/0 Houghton Street, WC2.

Consultants and clients

From the Managing Director, Isbacon Corporate Services. Sir,—Lombard (January 13) is right to highlight the risks and confusion of loyalties when consultants take on a manage-ment role in client companies. Whether the involvement of consultants at Guinness is an

Letters to the Editor

grating corporate structure. It is a constructive response to a rapidly changing business Few today would deay that

Few today would deny that corporate structures are changing. Companies seek minimum headcount but want flexible manning. The trend is towards a minimum "core" of parmanent staff supplemented by outsiders—the contractors, agency staff, outworkers and now "temporary executives," often working at chief executive or board level. How else can a business keep its fixed tive or board level. How else can a business keep its fixed costs down, respond quickly to new demands and new technologies and assemble the right mix of skills for each new challenge? Who can wait six months to find and recruit the new new chief executive to save a business or the scarce specialist who is needed to automate production or lead an urgent new project? project? Ray Smith,

Bridge House, Bridge Street, Leatherhead, Surrey.

Power in Pakistan From the Minister

(Information), Embassy of Pakistan Sir,-It is regretted that you

correspondent Simon Henderson has built up his story " Pakistan bids for nuclear weapons graphite" (December 23) on wrong assumption and based it on a lot of misinformation. on a lot of misinformation.

The President and Prime Minister of Pakistan have both repeatedly announced that "Pakistan is not making a homb, is not in a position of making a bomb and has no intention of making a bomb."

Pakistan has not only made this commitment solemny but is prepared to accept international pared to accept international safeguards on non-discriminatory basis to prove its position. In spite of the above assurances, it is a pity that your correspon dent continues to malign Pakis-

tan with the production of ment role in client companies. Whether the involvement of consultants at Guinness is an example of this is not yet clear. But there is no doubt that most major consultancy firms in the terms of fossil fuel resources, paldstan is one of the poorest major consultancy firms in the terms of fossil fuel resources, paldstan is one of the poorest countries in the world. The alcountries in the countries in the remained when the "public interest" is threatened, but that there is no such threat by his definition of the "public interest." Mr Campbell's definition however is adequate supply of fuel must be assured." For meeting its power seem to me wholly relevant the first increase of the BTR hid.

What I believe is more relevant in the context of the BTR hid.

What I believe is more relevant in the context of the BTR hid. nuclear weapons

porting facilities for nuclear fuel cycle to keep the plant supplied with indigenous

It was Pakisten's anxiety to ensure an uninterrupted and adequate supply of fuel that prompted the setting up at Kehuta a research laboratory for uranium enrichment since natural transium is found in Pakistan. At this Rebuta laboratory, it has been clarified into and again at the highest political level, that the modest exercise there for trankum enrichment is only on a research and development scale. Its purpose is to achieve a degree of self-reliance in the frunt end of the realest full creduct in American and of the realest full creduct in American full creduct in American full creduct in American full creduct in American full creduction. the nuclear fuel cycle, ie, 3 per-cent enrichment of transum. Higher enrichment needed for non-peaceful uses is far beyond Reinsta's capability. Rezinddin Shaikh.

Probably a wise

35 Loundes Square, SW1

message

From Dr R. Stone.
Sir. — An article on your back page of January 14 begins "President Raul Alfonsin of Argentina has sent a verbal message to Mrs Thatcher. It it was probably wise of President Alfonsin to send a verbal rather than a non-verbal message: gestures, however con-ciliatory, are liable to be misunderstood.

Some linguistic fashious add to the richness of English; others make it sloppy. The increasing use of the word "verbal" when "oral" is meant falls into the latter category. I am sorry to see your newspaper adopting this usage. (Dr) R. L. Stone, 17 Park View Road NS.

BTR bid for **Pilkington**

From Mr H. Parker Sir.—Mr Andrew Campbell (January 13) states his view that the BTR bid for Pilkington Brothers should not be referred by the Office of Fair Trading to the Monopolies and Mergers

and in that context Mr David Nickson speaking in his capa-city as president of the CBI in a meeting with Mr Paul Channon of the DTI—makes a far more cogent point. According to your report (January 14) Mr Nickson "urged the mment to take a more international view of competition when deciding which mergers should go before the Monopolies and Mergers

Pilkington Brothers is cer-tainly one of the most successful, if not the most successful British companies in terms of its competitiveness in world markets. Thanks to its technological leadership through the float glass process, and to its long-term international long-term international strategy, Pilkington today domi-nates the world markets for its

nates the world markets for its products. There are very few British companies left which can make that claim.

BTR has unquestionably demonstrated great skill in improving the performance of companies like Thomas Tilling and Dumlop which it has acquired its methods for doing so are well known. But BTR is a conglomerate of many different businesses of which none is internationally connectinone is internationally competinone is internationally competitive, in the sense that Pilkington is. It therefore seems unlikely that it could improve what is perhaps Pilkington's greatest strength. On the contrary, it is more likely that it would do things for short-term reasons which could have just the opposite effect on one of Britain's few remaining world-league winners. Surely this would not serve the national interest.

Hugh Parker Albemarle International, 23 Albemarle Street WL Showing the

gold card From Mr C. Word.

Sir, - Not being a man of such obvious affluence as my good friend, A. J. Horne, (January 5) I have a gold card. (January 5) I have a good card-from my bank for one simple reason. The bank charges I save are considerably higher flum-the £50 I pay for my gold card-C. J. N. Ward, Bacon House, Greatworth Nr Bombury, Oxon.

Filthy Rich and Catflan

From Mr J. Ookley
Sir,—As an appreciative
viewer of Adrian Edmonson, Rik Mayall and Nigel Planer's various TV series, I must take issue with Christopher Dunkley's assertion (January 14) that their most appreciative audience will continue to be drank teenagers.

Drunk, yes; but at age 40, 1 do, however, take exception to being identified with today's teenagers! J. A. Oakley.

isnot

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FINANCIAL TIMES

Monday January 19 1987



Roderick Oram on Wall Street

Hutton pares The **Problem**

"TT'S MY money," says comedian Bill Cosby, one of America's favour-ite US television performers, as he explains in advertisements for E. F. Hutton why he cares so much about

who handles his personal finances.

The brokerage house has had to work hard during the past 18 months to restore confidence in it in the wake of "The Problem," as staff call its scrape with the law. The firm paid a \$2m fine in mid-1985 for a highly organised scheme of cheque kiting and bogus depos-

It was an andacious abuse of bank overdrafts which netted Hutton hundreds of millions of dollars

ton hundreds of millions of dollars of interest-free working capital in one of the most widely publicised corporate crimes in the US.

The affair cruelly exposed Hutton's deficiencies, most particularly its ineffectual management structure. They were just a happy band of warriors who went out there and stocks and hoods all day withsold stocks and bonds all day without management controls," a Wall Street analyst said, Hutton tried to sort itself out with

"the broadest re-organisation" in its 82-year history, hiring some senior managers from outside the firm and setting itself a clear strategy. Through these trying times, it has often been rumoured to be a takeover target. The latest in a string of suitors was American Express's Shearson Lehman brokerage sub-sidiary which tried to buy it last No-

After a two-day Hutton board meeting the takeover was scotched and Mr Robert Rittereiser, its president, was promoted to chief execu-tive officer. Mr Robert Fornon, chief executive since 1970, was appointed

No sooner, however, had the new guard finally taken control, than Hutton sprang an unwelcome surprise. It announced that it was set-ting aside a \$130m fourth-quarter reserve, mostly to indemnify clients for losses on an investment product which had been mis-represented by aggressive salesmen. The losses had been compounded by bed trad-

Was this highly unusual move to keep faith with customers a sign that the old Hutton had failed to fully mend its ways? Or was the new Hutton just stable cleaning? Almost certainly it was the latter since the badly handled product pre-dated even The Problem. An extensive review uncovered no other horrors, it

But the provision, which will have plunged Hutton into the red for 1986, reminded analysts' that Hutton's recuperation was slower

Top executives say they have three main tasks. First is to complets the beefing up of management. Of the nine-man management committee, four have been brought into the firm since the cheque scandal. Mr Rittereiser was one of the heirs apparent at Merrill Lynch where he earned a reputation for bringing order to chaos. Hutton is still looking for a few more senior people, particularly for corporate finance.

Secondly, it says it has to contain costs so more of its expanding turn over comes through to profits. Even without the latest provision, the fourth quarter would have been barely profitable despite the bull market surge in investor activity.

Perhaps the toughest test it face: is a revamping of commission schedules for its retail broking account executives. Competitors such as Merrill Lynch and Paine Webber have already moved away from unfor low profit lines and more for high profit investment products.

These changes are unpopular to make and Hutton has dragged its feet because most of its sales people have been loyal during the past 18 months of upheaval. Their attrition rate was never higher than that of the competition and in some areas is now considerably lower, Hutton

Says.

None the less, these costs are a drag on earnings so the firm has set itself a mid-year deadline to com-plete a review and begin

implementing changes. Elsewhere on costs, the firm has frozen hiring (with the exception of a few more key senior people) at a time when its competitors are still expanding their workforces by about 25 per cent a year.

The third task is the corporate strategy which was finalised just last week. This is essentially un-changed with the firm intending to remain a strongly retail-oriented full-line securities house.

If all goes according to plan, Hutton believes it can earn shareholders a return of between 19 per cent and 15 per cent on their money and keep them sufficiently satisfied enough to reduce the threat of a

BAe, Marconi win £90m Nato satellite contract

BY PETER MARSH IN LONDON

BRITISH AEROSPACE and Marconi, Britain's two leading satellite companies, have won a £90m (\$135m) order from Nato to build two advanced military communica-

The two companies won the or-der, which is due to be announced today, in the face of strong competition from General Electric of the US. Nato's five previous space vehi-cles were built in the US.

Britain's satellites are to be based on a design which has yet to see service in orbit, whereas the rival US vehicles were versions of models already in use by the US Defence Department.

According to a Nato official, the

two designs were equally suitable technically, but the UK vehicles

won because they were less expenlobbying over the past three years by the UK Defence Ministry and

At the end of last week, the ministry signed an agreement with Na-to's Communications Information Systems Agency (Cisa) on the pro-curement of the two satellites. As a result of this agreement, the minis-try is arranging for the two UK companies to build the spacecraft, the first of which will enter orbit in

The two satelites, known formally as the Nato-4 series, will be based on the design of three new UK mili-

cles, due to provide communica-tions links for UK armed forces, are to be launched over the next dec-ade, the first of them next year on Ariane, the West European rocket.

The Defence Ministry and the two companies have argued that Nato should seriously consider Eu-ropean-built satellites as a sign that the continent's space industry has reached maturity. The first five Na-to satellites, launched between 1976 and 1984, were built by Ford Aerospace of the US.

Providing solace for the US is that both Nato-4 satellites, the sec-ond of which should be launched in the mid 1990s, will be lifted into or-bit on US space shuttles, for launch

Rises in UK earnings biased towards high-income brackets

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

INCREASES in earnings in Britain have been tilted in favour of the high-paid during the past seven years. The shift has been re-inforced by changes in the structure of income tax and national insur-

The latest official figures, pro-vided by the Treasury, show that the inflation-adjusted earnings of an individual in the top 10 per cent increased at a rate nearly seven times greater than that for some-

During the same period - April 1979 to April 1986 - the high paid also saw their pre-tax and net sala-ries grow by about twice the rate of those in the middle of the incomes

The statistics demonstrate that the sharp rise in unemployment since 1979 has had little impact on earnings growth at the upper end of the scale, but it has created flexibil-ity at the bottom end of the labour market. Real earnings for the lowpaid lagged behind the growth rate

A concentration of the largest pay increases among the affinent explains why their share of the inexplains why their share of the in-land Revenue's total income tax re-ceipts has risen marginally since 1979. The Government has made political capital out of the trend, arguing that it indicates that Labour's plans to increase taxes on the rich would be counter-productive.

However, the latest figures imply that, had the tax regime of 1979 been maintained (with adjustments for inflation), then the highest-paid would be providing a larger share of total tax. The structure of the Government's tax changes, particularly cuts in the top rates, has offset the inherent progressivity of the tax system.

The tax burden on the top 10 per cent has, if anything, fallen slightly relative to their incomes since 1979.

have been broadly neutral, while paying proportionately more.

Mr Nigel Lawson, the Chancello of the Exchequer, acknowledged that the more affluent had done better than people lower down the scale in a recent interview with the FT. He argued, however, that the trend had been necessary because in 1979 earnings in Britain were among the most compressed in the industrialised world. He said that all income groups had experienced a real increase in pay since 1979.

Mr Lawson hinted that a further reduction in the highest rates of tax as well as in the basic rate was now high on his list of priorities.

Western Union opts for Milken restructure plan

seeking ways to avoid bankruptry, has decided to proceed with a finanthan some of them had boped. They believe that it is essential to the new Hutton's credibility that it proves itself this year to be a well-managed and profitable firm.

The 31 Percel Burnham Lambert.

278m by

In opting for the Milken plan, Western Union rejected an alternative offer from an investor group headed by Resource Holdings, a partnership involving Mr Harold

WESTERN UNION, the heavily in-debted US telecommunications dar, and Pacific Assets Holdings, a company which has recently been private investment firm in which Mr Milken is a partner. Mr Milken through Drexel's junk-hond opera-tion, played a key role in providing Western Union with

> The 31 banks which are owed \$273m by Western Union will accept a substantial reduction in the company's obligations. The loans will be repaid at 68 per cent of face value in cash or at 75 per cent in a combine tion of cash and common stock.

Under the Milken restructuring night that agreement had been plan, Western Union will sell 40 per cent of its equity for \$250m to MDC

Western Union said on Friday night that agreement had been reached with its creditors on the new arrangement.

Chinese act on reform

Continued from Page 1

Yu Chunyan, from the coastal city of Quingdan, was arrested on Saturday for writing counter-revolutionary letters to students in several cities, and for forming a 'counter-revolutionary organisation' called the "New National Social

ed for inciting sindents to protest and has known Deng Xiaoping, the last month.

Yu Chunyan from the coastat childhood The mayor of Tianjin, I.I.

Li Peng is known to support eco nomic reform, but, like Mr Zhao, he is less enthusiastic about the politi-cal reforms that apparently contribcalled the "New National Social Democratic Party."

Diplomats suspect that dozens of other similar arrests have been made but not reported.

Speculation continued on the likely replacement for Zhao Ziyang as premier, with the favourite being the Soviet-educated Vice-Premier, Li Peng, 58, who was adopted by the former Chinese premier Zhou Enlai

World Weather

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A single man at the starting point for the highest 10 per cent of earn-

ers saw his net earnings rise more than 23 per cent in the seven years to April 1986. A single man in the bottom 10 per cent received an increase of 3.5 per cent.

A FOR AN 18 TAN Street

Afghan rebels spurn ceasefire

Continued from Page 1

naki post had been hit with Mujanideen shells.
At 9.20, later than usual, the So At 9.30, later than usual, the So-viet guns replied, firing howitzer shells over our heads at the Jahad-wal base and at Mani Kandou for-ward base which we had just left. There an Afghan soldier, who had defected and become a Minjahidee: cook, was killed by a piece of flying

From the plain between our hill post and a distant white mountain range of Spinghar, Soviet howitzers and tanks moved into position, many out of range of Mujahideen guns. The battle continued for several hours, with Soviet shells falling near our hilltop and other Mujahideen gun posts. No Soviet

equipment wAS visibly destroyed but the Mujahideen scored several hits on nearby targets. The Muja-hideen admitted no casualties. At 1pm the commander left the post to lead presers of the resisnot to lead prayers of the resis-tance fighters who laid their Kal-ashnikov and old British .303 rifles on the ground in front of them. Lunch was ox stew, nan (flat white bread), and green tea. Three hours later, Soviet jets

swept overhead, dropping flares to mark the supply route along which we were walking back to the base. They were followed by bombers which attacked our path, staying at a high level to avoid the Mujahidstorage caverns to escape the at-tack. No casualties were reported. "You have seen today that we need better and longer range equip-ment from the West, then we could even hit the city of Khost," said

Dublin coalition facing crucial decision

THE FATE of Ireland's Fine Gael abour coalition, which has clung to power for several months after falling into a parliamentary minority, will be decided at a Cabinet asked to make a final decision on this year's public spending pro-

Dick Spring, the Deputy Prime Minister, will vote against their 11 Fine Gael colleagues if Dr Garret FitzGerald, the Prime Minister, insists on a range of social welfare proposed to help redress substan-tial overruns last year on the cur-rent budget deficit and state bor-

bour withdrawal from Government. Dr FitzGerald would then almost general election to follow in mid-February.

A decision must be reached to-

has a statutory requirement to produce a book of estimates outlining individual department spending for 1987 by Wednesday.

If agreement is not reached in Cabinet as seems the likely out-come, Fine Gael will continue as a minority one party Government un-til the election producing the actithe regulators or a call mates on its own accounts.

A split in the coalition has been on the cards since last autum when the Government committee itself to a budget deficit target this year equivalent to 7.4 per cent of GNP and Exchequer borrowing of 11.8 per cent. The 1986 outturn saw the deficit well over 8 per cent and borrowing over 13 per cent of GNP.
This left the coalition no alternative but to impose heavy spending cuts in the budget originally due on January 28, cuts which Labour was always likely to find difficult to so-

The election will be dominated by the parious state of the economy. The national debt now approaches 150 per cent of GNP and unemploy ment is at 19.3 per cent of the work force.

De FitzGerald will fight on the ey's Fizume Fall party is well shead in the polls but is aware that it might be denied a majority by a new coalition between Fine Gael and a new party, the Progessive

Yesterday, Mr Haughey said that the only way to break "the vicious circle" was through growth encou-raged by reducing taxation, cutting interest rates and improving Irish competitiveness. Prodent management of the public finances was necessary but must be integrated with a policy of economic de

In a radio interview, Mr Haughey said a Fianna Fail Government would not interfere with any prog-ress being made under the Angio-lrish agreement which he said would be an essential part of Angio-lrish relations.

US chides trade partners on growth

Continued from Page 1

1986 growth target has intensified Washington's concerns that "an (economic) slowdown in Germay could come sooner in 1987 and be worse" than the US currently fears.

very disappointed in the Ja Government's proposed budget for 1987, saying that it was not in line with what the US sees as the economic policy understanding it reached with Japan last year under an accord to try and stabilise the

Asked if the group of five (G5) major industrial countries were preparing to meet to try and resolve their economic policy dispute the official said: "There is no present plan to have a G5 meeting

Administration has been arguing that currency adjustments alone (official code for a dollar devaluaeen's mountain-top Ziguak anti-aircraft guns. Some Mujahideen, who
had been huddled round open fires,
shrank against the mountainsides
and retreated in to numerous deep
America's industrial country trading partners (West Germany and Japan in particular) should place pects. (The option of a US recession as a mechanism for reducing the mander Faiz. But God is on US trade deficit is rejected on all

THE LEX COLUMN

Scandinavian cocktail

but they were wrong. For years it was the orthodox opinion that UK companies had to have their equity companies had to have their equity capital in a single currency, prefer-ably sterling. With the decision to allow Scandinavian Bank a cocktail of equity in four currencies, fol-lowed by confirmation that Manu-Lynch could recapitalise their UK companies in dollars, orthodoxy supported on venerable stacks of legal opinion - has been overturned. For banking groups, particularly, a few changes to some small print in their articles could make a consid-

their articles could make a considerable splash in more than one international market. But the ripples may also spread beyond banking.

To see why, look at the straitjacket that existed until last week. Because the ability of banks to grow their risk assets is officially limited. to a set multiple of their capital base, in order to stop them becom-ing over-extended, life in a bank Dr FitzGerald would then anneas can become very uncommutator to certainly seek a dissolution of particular to the base refuses to keep pace with the demands of the business. For banks whose equity is denominated in a depreciating currency like sterling or, more recently, the dollar, the capital base tends to shrink just by sitting there. If they fail to run down the non-sterling asset side of their balance sheets – never mind continuing to grow the business -capital ratios crumble. And that leads either to a heavy session with

Hedging

dinavian Hank had got used to con fronting, year by year, resolving it by a series of sterling-denominated rights issues that its Nordic share-holders must have found increasingly tedious. The logical solution to this annoying structural problem was obvious: put the equity base in-to a mix of currencies that roughly matched the distribution of assets. and, any exchange-rate induced growth in the sterling value of the essets should automatically be mir-rored in growth of the equity base. The logic was not perticularly

new, since it merely turned on its head the standard practice of the banks' industrial customers, who bedge the exchange risk in their



The advantages to Scandinavian Hank of its unique multi-currency base should be significant. By ng the periodic crunch in its capital ratios, the regular rights is-sues can be avoided; only genuine business growth (or the repair of real mistakes) now needs to be financed by the shareholders, while the shareholders' investment is au-tomatically stripped of the greater

And since Scandinavian knows in advance that the depreciation of servance that the depreciation of sterling is not going to result in a capital shortage, it is possible to plan the lending programme as part of the annual budgeting cycle— rather than hurriedly shut off the hank's D.Mark lending assess time cling net worth - by taking on matching amounts of debt in the currencies where the investment is made. Banks had, of course, widely considered the matching of currency assets by currency capital, only to be deterred by the reading of bank's D-Mark lending every time there is a sterling wobble.

It may be difficult for the clearing company law which said that it could not be done, as equity denom-

banks to follow suit, however much inated in dollars, for example, could they may wish to. For banks with not be converted into sterling of a more than Scandinavian's handful of the company, it was said, could not know what ultimate security their claims rested upon, as the equity fluctuated in its sterling value.

On such grounds as these, and as recently as last September, National Westminster was to be seen self-successive new tranches in dollars. selves banks, it might be too diffi-cult to push through the same sort of capital reorganisation. And with

most serious imitators of Scandinness, and dollar assets. NatWest's avian banks - outside other foreign legal advice was apparently that owned banks in London - may be dollar shares could not be satisfacture international companies among the banks customers.

torily added to the equity it already For the multi-curren base provides a structural means of taking translation risk out of a balance sheet; and so long as it does not prove prohibitively experisive to implement the necessary schemes, should therefore seem more attrac-tive than the existing paneply of was based on a piece of conceptual archaism, namely, seeing the re-quirement for accounts to be stated

hedging transactions.

Internationally diversified UK in a single currency as involving-a companies could therefore reduce med for the equity to be converti-ble; at all times, into a fixed amount their gross debt to a figure nearer of that currency. Now that the court for financing assets. And although has decided that translation into Scandinavian may temporarily do a the currency of account is what nice line in equity restructuring matters, so long as the paid-in eapi- kits, that might not only squeeze tal is in fixed amounts of the currencies chosen. It is only a Companies Act frill that some companies,
those with a pic handle to their driven business.

ing sterling equity in New York, presumably to provide the base from which to expand its US busi-



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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday January 19 1987



INTERNATIONAL BONDS

D-Mark sector rallies as currency concerns dominate

many might have had to fight to slasm was wearing off as the do-work through the perishing cold lar's decline slowed. Nevertheless, last week, but at least they were dealers said the market was unable to keep themselves warm with usually buoyant for the end of the some active trading when they ar week. rived at their desks, writes Clare. The government bond market as

dollar fell further and the realignment of European Monetary Sysvestors to liquidate their positions tem (EMS) currencies - which involved a 3 per cent revaluation of the D-Mark - proved inconclusive. Against this background, the D-Mark bond market staged a signifi-cant rally, with yields declining by as much as 15 basis points at the

long end. This was most unusual because normally a realignment of the EMS is the cue for investors to take profits in the sector. the dollar kept the "hot" money flowing into the D-Mark, and the

In fact, the continued decline of bond market was encouraged by speculation that the Bundesbank would be forced to cut its 3% per

By Friday, some of this enthu- tions for ligh tax-bracket investors.

Pearson in London. the beneficiary of most of the in-Currency concerns dominated the flow of speculative cash, since it is international bond markets as the much larger than the Euro-DM much larger than the Euro-DM when they decide to sell-out.

But some, at least, of the inflow spilled over into the Eurobond market, which posted price rises of be-tween % to % of a point last week.

This provided a propitious atmosphere for the launch of new bonds, most of which went down well. A DM 300m, 10-year, 6 per cent bond for the European Investment Bank, for instance, was quoted on Friday at 99.30 hid, against a par issue price and within its fees

Dresdoer Bank's DM 500m. 4% per cent, five-year bond, priced at 97%, looked slightly optimistic, al-though dealers said its discount pri-

If the D-Mark market was in fine form, the Eurodollar market was languishing last week, and most lead-managers held back from issuing bonds denominated in the cur-

Paradoxically, however, most of the Eurodollar bonds that have been launched since the new year have met firm demand, and the week saw in ther successful issues for such names as Nippon Tele-graph and Telephone, Belgium, and Sweden.

The answer to the comundrum is that lead-managers have made a new year's resolution to adhere to what one described as the "classic This is a move in the market to

get back to basics: priding bonds so that they are attractive to underwri-

pricing bonds on highly aggressive

terms. The lead-manager can often make up for this with a profit on

2301.5 - 108.0 4,842.6 1,078.0 141.8 477.0 2,983.0 2218.0 108.3 E.S 222.0 1,118.1 217.3 201.7 118.1 1,078.4 TR.148.3 6,482.9 588.9 2,166.1 8,412.1 188.8 2,666.1 5,552.2 188.8 362.4 2,660.7 to a broad range of investors. 22,194,9 10,672,1 16,632,3 6,284,9

West to day 16, 167

been designed to appeal to the insti-tutional investors who are still active in the Eurodollar sector bedoned in recent times in favour of cause they have to keep a given pricing bonds on highly aggressive amount of their portfolios in the world's largest currency, and beer form, however, its large \$100,000
cause they are able to hedge their denominations should keep it in the

County NatWest Capital Markets topped up the supply on Friday with a \$200m deal for Belgium that was rapidly increased to \$300m on firm demand. This issue had the advaninge over previous issues for Belgium of not only being attrac-tively priced but also of including

features that should make it appeal

Until last week, Belgium's issues istered form, because the Belgian authorities have been auxious to keep the paper out of the hands of investors who seek to reduce their tax liabilities by buying bearer pa-per, maintaining their anonymity.

This time, however, Belgium re-versed this policy; deciding that it would benefit more from broadening the types of investors who would be interested in the issue than from discouraging the Beigian

Even though this issue is in be

hands of the international institutions and away from retail inves- launch a successful deal for the

The 5 per cent 10-year bond was priced at 101% to give an initial yield of 86 basis points over US Treasury bonds. County NatWest said that Belgium had, nevertheless, achieved a swap into floating-rate dollars of around 30 basis points below London interbank of-

The deal was generally welcomed by the market as generous, al-County kept most of \$100m increase to itself, instead of distributing it pro rate among underwriters. At least one house - Credit Suisse First Boston (CSFB) - dropped out of the management group following

early part of the week as sterling weakened against European cur-rencies, but recovered later along with the gilt market as the corrency

This enabled Baring Brothers to than foreign investors. Meanwhile, CSFB launched a £110m convertihie deal for the Burton Group - the

largest ever sterling convertible. Elsewhere, the Australian dollar when three issues were launched on Friday, but the Canadian dollar sector stood up better to the weight of \$623m of new paper.

The Canadian domestic bond market was trading buoyantly all week following a rise in the currency and some good trade figures. Most of the new issues were well received, although the market showed a strong preference for sovereign names.

In other currencies, the Euros-active trading. Dealers were look-terling merket suffered during the ing for lower intrest rates, so bonds around 5 per cent were in demand. Belgium launched a note issue a 4% per cent coupon - the lowest on a five-year deal in around a year.

ity of the same size but with much

reduced costs. Interest is at Libor flat on both deals, but the facility

fee on the new one is 5 basis points

one, and the utilisation fees are

basis points for the first third, 7.5 for the second and 12.5 for the third

compared with 20, 25 and 32.5 re-

British Printing & Communica

tion, headed by Mr Robert Maxwell, has appointed Hill Samuel as sole

NBC buys Miami TV station for \$270m

By Anatole Kaletsky in New York

IN A transaction which could have encially volatile US broadcasting and TV production industries, NBC the national TV network, has agreed to buy a Miami TV station for \$270m – \$135m less than was offered for the station last summer.

The sum paid for WTVJ-TV, which is considered one of the most attractive media properties to have come on to the market for several date of a recent slump in TV station

The seller of the station, Womet co Broadcasting Company, was created two years ago in a lever-aged buyout led by Kohlberg Kra-

Wometco had previously agreed a price of \$405m for WTVJ in a transaction with Lorimar-Telepictures, another highly leveraged TV production and distribution company. The deal fell through, however range the financing reguired.

WIVJ, which was affiliated to the CBS network under Wometco's ownership was considered an attractive property because network affiliates are generally far more profitable than independent sta-

Affiliates take their programmer from one of the three major TV networks - NBC, ABC, or CBS - and receive a payment for each show they broadcast in exchange for providing the networks with advertis-

kets have rarely come up for sale, because they have been seen as such attractive businesses. However WIVJ is believed to have been times its annual cash flow – the low end of the range of prices used by dealer for a £100m sterling com- TV analysts for valuing such bus

EUROCREDITS

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Dates -

EdF cashes in on the benefits of improved conditions for borrowers

JUST HOW MUCH conditions for now reap the benefits. borrowers have improved in recent years was illustrated starkly to ankers last week by the new terms of a 51bn revolving credit for Elec-tricité de France (EdF), signed in 1984 and now the subject of renego-

When the credit was mandated in June 1984 to Banque Nationale de Paris, Citicorp, Industrial Bank of Japan and Lloyds, it came at a key stage in the process of ratcheting down of prime borrowers' costs. The enthusiastic reception then given to the deal, which contained concepts novel at the time and widespread now, was an important sign of market trends of which EdF can

The terms now being propo even though they will slash EdF's costs, do not appear ungenerous to benks by the standards of some re-

Originally mandated at \$400m, the loan was one of the first to inchide a facility fee payable annually on the full amount irrespective of how much of the loan was drawn. This was set at 10 basis points. Now, after the progressive shaving of facility fees, it is to be halved though it will still be higher than fees recently charged to other

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$750,000,000

Province of Alberta

73/8% Notes Due December 1991

withdrawn, and the utilisation fees are being reduced drastically. Originally they were 15 basis points for up to 33 per cent usage, 20 basis points between 33 per cent and 50 per cent. 27.5 basis points for usage

the first to apply the now wide spread concept of utilisation fees.

5, 7.5 and 10 bears points.

6, 7.5 and 10 bears points.

7.5 and 10 bears points.

7.6 ard 10 bears points.

8 bears possible at he described the described of the described o

pean banks have already signalled that they will how out. Though rekept many bankers from their London offices last week, some banks have indicated acceptance and even The comm up to 75 per cent, and 35 basis a willingness to increase their expo-

dertaking to keep at least 18 per simply not be remunerative the Monopolies Commission.

cent of the facility drawn.

enough.

Citicorp Investment Bank, we confide the facility drawn is now to be Some smaller Continental Euro-originally underwrote the second amount, is now asking other banks

rise as he draws more money. The summary as head been feared — are terbank offered rates (Libor) flat.

But an implied spread above Libor For some of the 76 banks in the syndicate, however, the new terms will government not to refer the bid to the borrower's undicate, however, the new terms will be knowpolies Commission.

Transfer the bid to the borrower's undicate, however, the new terms will be knowpolies Commission.

Transfer the bid to the borrower's undicate, however, the new terms will be knowpolies Commission. originally underwrote the entire was understood to be a five-year close to the company to make large of 8 basis points, a margin over Li-commitments of £150m each for a bor of 18.75 basis points, a utilisstwo-year facility of which half tion fee of 5 basis points above 50 would be repayable after a year, per cent usage and front-end fees of The commitment fee is 10 basis up to 7 basis points for commit-

Pirelli, the Italian tyre maker,

U.S. \$500,000,000

Province of Alberta

Floating Rate Notes due 1993

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Signs of fatigue as foreign investors start backing off

and currencies.

Gilts were buoyed at the end of last week by persistent rumours of a Japanese discount rate cut and some of sterling's

late recovery on Friday could be traced to caution about buy-

termists."
The "long-termists" are wor-The "long-termists" are wor-ried about investing too much faith in opinion polls, are con-cerned about the trade balance

—beware the next set of figures on January 28—and about the build up of inflation in the economy at a time when oil

THE UK Government bond gilt market is playing at poli-market is showing the first tics. The fall from 11 per cent-signs of fatigue after its roar-plus yields late last year to the current level has been inspired ing Christmas season rally and seems to be wondering where to go next. As so often before, current level has been inspired by a market which is betting that sterling's weakness against European currencles will not develop into the apocryphal January crisis and that the Conservatives will win the general election and then join the EMS. sterling will probably provide the pointers.

Last week saw long-dated issues flirt with the 10 per cent yield barrier but there was pretty stiff resistance to breaking that level decisively and the overseas investors which had provided the motor for the rally seem to be backing off.

Despite several nibbles last week at the remainder of the film issue of 10 per cent Treasury Loan and the £600m 2; per cent index-linked Treasury Stock 2024, the Bank

of England has still been left the int with modest amounts of each.
The longer this stock hangs around, the less confident the market will be about building on its gains. There were already signs of insecurity last week with setbacks every time a bit more stock dribbled out into the market.

changes last week and the war of words between the key Group of Five players, not to mention between the various powersthat-be in the US, sounded the opening shots in what could be an increasingly intense battle for position on interest rates and currencies. In addition, there is perhaps as much as £400m of gilts, bought to hedge Eurosterling issues, which effectilvely over-hangs the market like an un-sold tap until the swap arrange-

ments are completed.

In the course of the week, sterling's less than sparkling performance against the newly realigned currencies of the European Monetary System managed to scupper speculation of an early base rate cut.

On domestic grounds—and the case should be underlined by this week's money supply figures—it seems clear that 11 per cent rates will in place for some time, unless, as in past years, the Chancellor of were purely a result of the huge flows between the US and West Germany and that, on all other fronts, things are shaping up nicely for the Government in election year. This camp could perhaps be dubbed the "short-termists." the Exchequer cannot resist a Budget-time cut to add even

In many ways, however, the development of events at home are working in favour of the

The Bank of England's fund-ing requirement appears to be remarkably undemanding and confidence is growing that there will be a significant undershoot on the Government's public see-tor borrowing requirement tar-get, making the Chancellor's tax much as it should.

its even more secure. All this matters because the

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DEMONSTRATES AND A 17.00

NOTIS EUROPE

B.V.

Bond market still decidedly bullish

THE US bond market showed astonishing reallience last week, losing a mere 1.5 points from Monday to Wednesday in the face of the collapsing dollar. During those three days the dollar fell by 4} per cent against the D-Mark and shattered the trading range of Y155 to Y165 which had been widely seen as the cornerstone of the agreement on currency stability reached between the US and Japan last autumn. By the close on Friday, bond prices had recouped half their earlier losses, to finish a mere } to t points down at the long end.

US MONEY AND CREDIT

It was not just the bond As long as opinion polls con-tinue to show the Government in the lead, and announcements market's well-known addiction to Japanese and European in-vestment flows that made this such as last week's unemployment figures can only help, the 10 per cent yield harrier looks breachable. an extraordinary performance. The buils could always argue, The bulls could always argue, after all, that US bonds were getting cheaper, and therefore more attractive, as the dollar plunged. Or to put the same idea in the vernacular of the East End trading houses where many a bond dealer picked up his market-making skills—there's a mug born every minute. But a sustainable rally depends partly on the willingness of foreigners to invest, and the international scene looks set for an extremely volatile Events on the foreign ex-

What made the bond market's firm optimism really surprising was the flow of other news last was the new of other news tast week. There was the public squabbling between the US and the finance ministries and central banks of Japan, West Germany and other countries in Europe. There were warnings from current and former Fed governors about the tight congovernors about the tight con-straints on monetary policy. There were even rumours that Mr Paul Voicker was about to retire as chairman of the Federal Reserve Board, to be replaced by the arch-monetarist Mr Beryl Sprinkel — probably the least respected economic be traced to caution about buying too many more D-Marks if
there is any possibility that
West Germany will give in to
demands for a cut in interest
rates after its election on
January 25.
All this adds up to the emergence of two distinct market
camps. One is confident that
sterling's vicissitudes last week
were nurely a result of the huge

on the statistical front, developments were similarly gloomy. Oil prices have continued to rise even above Opec's \$18 target. Retail sales and industrial production both turned out stronger than expected, showing growth of 4.4 per cent and 0.5 per cent respectively in December. The money supply, as usual, seemed to be well and truly haywire, with Mi growing at an annualised rate of 28.4 per cent in December. Along with other statistics out in recent weeks, statistics out in recent weeks, these figures added up to a picture of a considerably stronger economy than most people ex-pected a few months ago.

figure in the US just now.

Why then does the consensus Janet Bush in the bond market remain decidedly bullish? Apart from

Professionalism and Commitment

Euro-Commercial Paper

undoubtedly spilled over from the equity desks on Wall Street, the equity desks on Wall Street, there seems to be a broad belief that the public fueding among the world's monetary authorities is more likely to result in interest rate cuts by Germany and Japan, rather thms rises in the US. There are three broad reasons.

Event much of the strength

First, much of the strength of the economic indicators for December is thought to be illusory. Tax reform may well have caused spending and output to be "borrowed" from the beginning of 1987, increasing the likelihood that the statistics from next month onwards will point again to economic weak-

Second. Germany and Japan seem to have more to lose than the US from the collapse of the the US from the export industries are suffering palpably, while there are few signs yet that US inflation will rise to unaccept-

Third, it is German and Japanese — not US — interest rates that are currently out of line with historical experience, particularly at the long end. The real yields of 6 per cent or more available for 30 years on corporate or even publicly guaranteed bonds in yen and D-Marks are unlikely to be sustained for ever. *

The following are the econ-omic indicators due for release this week, along with the median market expectations, as surveyed on Friday by Money Market Services of Redwood City, California:

The consumer producer index for December (8.30 am Wednesday) is thought to have risen by 0.3 per cent, similar to the increase of 0.3 per cent

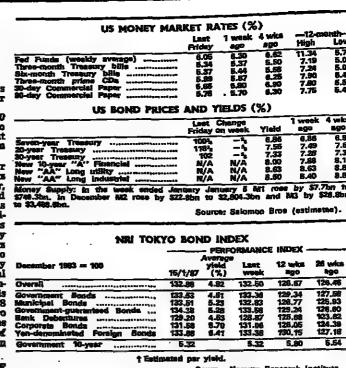


in November and 0.2 per cent in October. Estimates range from 0.1 per cent to 0.5 per cent. A rise of 0.3 per cent in December consumer prices would produce a 12-month inflation rate of 1.2 per cent during 1986.

Housing starts (8.30 am Wednesday) are expected to be running at an annual rate of 1.6m, very similar to the figures of 1.6m in November and 1.68m in October. The range of esti-Preliminary GNP figures for the fourth quarter (8.30 am Thursday) are forecast to show 2.6 per cent annualised growth, compared with a 2.8 per cent rate in the third quarter. The rate in the third quarter. The forecasts range from 1.8 to 3.7 per cent. A 2.6 per cent growth rate in the fourth quarter would also result in year-on-year growth of 2.6 per cent for 1986 as a whole. The GNP defiator is expected to have shown a 3 per cent rise in the

 Money supply figures (4.30 pm Thursday) are expected to show a fall of \$7bn in M1, but forecasts range from down \$11bn to up \$1bn.

Personal income for December (10 am Friday) looks like being 0.5 per cent higher, like being 0.5 per cent higher, after rising 0.3 per cent and 0.4 per cent in the previous two months. The range of estimates is very wide, from minus 0.2 to plus 0.9 per cent, partly because of large payments expected to be made to farmers by the Commodity Credit Corporation. Personal consumption, which is announced at the same time, is thought to have risen by 1.8 thought to have risen by 1.8 per cent, with a range of zero to 3.5 per cent. This compares with consumption growth of 1.1 and 2.2 per cent in November and October.





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Westdeutsche Landesbank

Wood Gundy Inc.

Julius Baer International Limited

Bank Gutzwiller, Kurz, Bungener (Overseas) Limited

Banca della Svizzera italiane

Compagnie de Banque et d'Investissements, CBI

HandelsBank N.W. (Overseas) Ltd.



Province of British Columbia

C.\$150,000,000

93/s per cent. Notes, Series BCEC-6, due 1990, Extendible to 1994

Swise Bank Corporation International Limited

Algemene Bank Nederland N.V.

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Deutsche Bank Capital Markets Limited Kredietbank International Group Merrill Lynch Capital Markets

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Banque Bruxelies Lambert S.A. Commerzbank Aktiengeselischaft Dominion Securities Inc. **IBJ** International Limited McLeod Young Weir International Limited

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Wood Gundy Inc.



Rémy Finance B.V.

ECU 40,000,000

75/s per cent. Guaranteed Notes due 1992

unconditionally and irrevocably guaranteed

Rémy & Associés S.A. (incorporated with limited liability in the Republic of France)

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Benk Brussel Lambert N.V. Banque Nationale de Paris

Crédit Commercial de France **Dalwa Europe Limited**

Generale Bank

Banque Internationale à Luxembourg S.A. Commerzbank Aktiengesellschaft Credit Suisse First Soston Limited Deutsche Bank Capital Markets Limited Sumitomo Finance international

S.G. Warburg Securities



Swiss Bank Corporation International Limited

INTERNATIONAL CAPITAL MARKETS and COMPANIES

George Graham on the first French bank to be put back into the private sector

Paribas returned to its natural state

WEEKENDS will be duller next month for Mr Michel Francois-Poncet, chairman of Paribas. The extra hours he has had to put in in the run-

"The privatisation has been "The privatusation has been appallingly time-consuming but it has been enjoyable to have a sense of life at the weekends—to come in on Saturday and Sunday and have people doing things instead of staying at home wondering what time to get in." he says

get up," he says. The surge of activity at the weekends has provided some surprises to connoisseurs of French architecture, who are accustomed to Saturday visits to Paribas' elegant headquar-ters in the Rue d'Antin.

A guided tour paying its respects last Saturday afternoon to the room where Napo-leon and Josephine were mar-ried came across the room's current occupant at work at his

desk.

"A chance to see the canary
in his cage," reflects Mr
Francois-Poncet, a 52-year-old

been familiar. Unlike many of the other heads of the French nationalised banks, Mr Francois-Poncet is home-grown. He has worked at Paribas for 26 up to his bank's privatisation has worked at Paribas for 26 have been hours he has been has been hours he has been hours he has been has been had been hours he has been hours he had been hours he had been hours he had been he had been hours he had been hours he had been he had been

Educated at the Institute for Political Studies in Parls, Mr Francois-Poncet went on to Harvard Business School in Harvard Business School in 1956. His later career in Paribas also took him to the US, where he headed the bank's operations, and the American influence has left its mark.

Mr Francois-Poncet himself claims to have learnt a certain approach to problems in the US, the attitude of not being scared to bite the bullet. As his colleagues in Paris have discovered, he also acquired the breakfast habit. Paribas executives now expect to start five days a week at 8 am, and Mr François-Poncet himself each of the main departments One of Mr Francois-Poncet's trump cards in the past year has been his close friendship



Mr Michel Fra

with Mr Jacques Chirac, now Prime Minister, which dates back 35 years. It is a friendship privatised. Paribas's chairman conc Paribas's chairman concedes will that the friendship helped day,

"Certainly it was important in hopes the choice of Paribas, because the house expected me to pull Poncet.

The move back to the private sector is viewed by the whole of Paribas as a return to its natural state after a five-year parenthesis. And Mr Francois-Poncet's style of presidency is also viewed by his senior col-leagues as a return to tradition from the more autocratic era of Mr Jean-Yves Haberer, who moved from the head of the French Treasury to take over Paribas under the Socialist government in 1982. The eight-strong executive

The eight-strong executive committee now meets every morning and has a much more collegiate approach to decision-making. "There is a general management now, where there was no general management under the previous chairman," comments a close colleague "They discuss business matters as well not just stratery. He

colleagues," says Mr Francois-Poncet. Instead, he will be restarting his travel pro-

"For three months I have hardly travelled at all, which is intolerable in itself because I have developed the habit of travelling, but also because you have to visit the branches of the organisation."

What of his future at Paribas? Mr Francois-Poncet took over as chairman only in July, in the first round of changes at the top of the French nationalised companies after the return to power of Mr Chirac. Some outsiders have expected

his task to be the temporary one of assuring the transfer of Paribas to the private sector, before handing on the baton. But Mr Francois-Poncet himself does not see the job as finishing then. "It is up to the general assembly of share-holders to decide on the chairback 35 years. It is a friendship which some competitors believe tipped the scales for Paribas in its race with Indo
Suez to be the first bank to be privatised.

Paribas's chairman concedes that the friendship helped.

Paribas's chairman concedes that the friendship helped.

Paribas's unique friendship helped.

Paribas's tils a friendship as well, not just strategy. He general assembly of shareholders to decide on the chairman, but I am not here for six months only. I am 52, and techmishing then. "It is up to the general assembly of shareholders to decide on the chairman, but I am not here for six months only. I am 52, and techmishing then. "It is up to the general assembly of shareholders to decide on the chairman, but I am not here for six months only. I am 52, and techmishing then. "It is up to the general assembly of shareholders to decide on the chairman, but I am not here for six months only. I am 52, and techmishing then. "It is up to the general assembly of shareholders to decide on the chairman, but I am not here for six months only. I am 52, and techmishing then. "It is up to the general assembly of shareholders to decide on the chairman, but I am not here for six months only. I am 52, and techmishing then. "It is up to the

Bowater profits fall by a third

BOWATER INC, the US paper maker, yesterday reported a fall of nearly a third in net profits for the final quarter of 1986, to \$13.93m compared with \$20.71m, but describes the period as "the turnround we have been awaiting all year." Mr Anthony Gammie, chairman, said a change in pension cost calcu-

Excluding that effect, "fourth-quarter operating income was more than double that of the third quarter this year and about the same as 1985 fourth-quarter results." In addition, the entire tax charge was taken at the year-end.

NEW INTERNATIONAL BOND ISSUES

company of the same name earned \$49.44m against \$67.52m. The company said the unusual re-lease of its results on a Sunday was because of investor briefings currently under way, tied to an inter-

U.S. DOLLARS | Izaniya Co. Lod. ¶; | Said Co. ¶; | Said Co. ¶; | Kurita Waster ; | Teshiba Eng. & Con. ¶ | CMG Euroteast 18 (b) †; | MT ; | Hotore let. Homes let. Hide Sees. (Europ Calcon Europs Sulumos Brothers Banque Peribes Shearan Lehemat I Saleman Brethers 2017 1984 1991 1994 7,382 8,758 7,437 6,758 7,741 7,779 180% 181% 101 181 Sreaden ‡ Form Credit (Corendo) (n)‡ Belgium ‡ AUSTRALIAN DOLLARS 1990 1992 1998 1992 HordLB Warbury Secontific Commerciank 1811/2 indessurz Augstr BP Capital ‡ CAMADIAN DOLLARS Ford Crodic Canada ‡ Prov. of Sankatchawa 8.555 8.288 9.855 8.840 8.773 8.550 1997 1997 188%, 181% 1992 City of Winsipay ‡ bank C'sees Fir. 1 **4.580** Deutsche Benk Deutsche Benk SBC (Germany) Dresdier Benk EIB ‡ Bit Julies Beer Bit & Tat #‡ Torente-Deninion Bit **‡ Brunker Famore ‡ 6.800 2.980 1997 SWISS FRANCS Bin Cop. Holding Co. (a)4 Daire Buck **§ 198 100 90% 181 109 189% 199 190 99% 2082 1982 1987 1984 1988 1984 1982 1887 4.331 4.875 Hoogovees **† Belgiam **† Figi Heavy Ind. ‡ Cosnell of Europe ‡ Famish Real Estate Norges Kommunatia Horges Kommunatia 198 198 4.125 18.338 7.252 7.103 7.498 7.297 7.318 8.051 * Met yet jelool. \$ Final terms. ** Private placement. † Floring rate noise. ¶ With equity (n) Collateralized convertible. (h) First coupen \$1/246 to May 1 1967, then 1/246 over Jm I

Joint venture for Cofide and Shearson

By Alan Friedman in Milan SHEARSON LEHMAN American Express, the Wall Street investment bank is in an advanced stage of negotiations with Cofide, the master holding company of Mr Carlo de Benedetti, to form a joint company in Italy which would mar-ket a broad range of financial

An announcement is expected within the next few weeks, but it has already been learned that the talks concern a new comance, mutual funds, leasing and factoring, and portfolio manage-

Shearson Lehman is among the key institutional share-holders of Colide with a 4.9 per

cent stake. Mr De Benedetti has been working for some time to create diversified financial services groups in both Italy and in Switzerland. His Cofide group, which also controls a range of interests such as Olivetti, Buitoni and various industrial and publishing companies, owns Latina and Ausonia, two Italian insurance companies.

Swiss to open first options exchange

BY JOHN WICKS IN ZURICH

exchanges have set up a joint company to operate the country's first Leu. options exchange, due to open in a

Soffex Swiss Options and Finan-cial Futures has been formed with a small starting capital of SFr 5m (\$3.2m) by the Zurich, Geneva and

The location of Soffex, which is planned as a "nationwide market with fully-automated and decentra-lised trading," has not yet been decided .

A central computer will allow Basie stock exchanges and four of members to operate from their own Switzerland's big five banks - premises. Membership is possible

transactions it settled rose by 31 per cent last year to 5.8m and the number of participants in the system by 18 per cent to 2,053. A sharp 52 per cent rise to 17,691 in the number of

issues exigible to be cleared

reflected, not only new Euro-bond issues, but the addition of short-term Euro-instruments, international equities, Swiss franc private placements and

domestic bonds from several

other countries.

LEADING Swiss banks and stock Union bank of Switzerland, Credit either in the exchange alone or in options on Swiss stocks, trading to Suisse, Swiss Volksbank and Bank both the exchange and clearing or-Leu. cover only bearer shares, participa-tion certificates and dividend certi-

yond the current circle of stock-bro-

To assure adequate liquidity, ficates. Registered shares will be extended be-excluded from the system.

king banks. This will include banks, includes 14 major domestic compa-dealers, portfolio mangers and bro-kers belonging to an international surance and services sectors. Further contracts are foreseen for a lat-

Euro-clear settlements up

BY ALEXANDER NICOLL

THE VALUE of securities settled through Euro-clear, the Brussels-based clearing system, rose 80 per cent last year to \$2,336bn, reflecting the rapid growth of the Eurobond and other international securities

Euro-clear is the larger of the two clearing systems which handle virtually all Eurobond transactions. Final 1986 figures for Cedel, its Luxembourg-based rival, have not yet been published.

Brother suffers 41% fall

BY YOKO SHIBATA IN TOKYO BROTHER INDUSTRIES, the machines fell 7.1 per cent. Japanese maker of sewing machines and typewriters, suffered a 41 per cent fall in pre-tax profits to Y8.82bn (\$57.4m) and net profits down 44 per cent to Y6.6bn in the year to November.

Sales were 8 per cent lower at Y168.55bu. Brother said domestic shipments of printers, word processors and other information equipment tumbled 87 per cent because of stiff competition. Home-use sewing

year to November.

attributed to the yen's appreciation, which underent export profitability while forcing a Yl.65bn appraisal loss on the company's holdings of foreign bonds. However, the company intends to maintain the annual dividend of YlO per share. For the current year,

The profit decline was in part

Brother expects sales to increase 8.4 per cent to Y168on. but foresees a 26.3 per cent

All these securities having been sold, this announcement appears as a matter of record only.



Telefonaktiebolaget LM Ericsson

U.S.\$100,000,000 8 per cent. Notes 1991

S. G. Warburg Securities

Enskilda Securities

Morgan Guaranty Ltd Svenska Handelsbanken Group

BankAmerica Capital Markets Group Banque Bruxelles Lambert S.A. Banque Paribas Capital Markets Limited Citicorp Investment Bank Limited Credit Suisse First Boston Limited Dresdner Bank Aktiengesellschaft

Generale Bank Kansallis Banking Group Merrill Lynch Capital Markets Nomura International Limited Prudential-Bache Securities International Shearson Lehman Brothers International SwedBank

Union Bank of Switzerland (Securities)

Bank of Tokyo International Limited Banque Nationale de Paris Chase Investment Bank Creditanstalt-Bankverein Deutsche Bank Capital Markets Limited EBC Amro Bank Limited Goldman Sachs International Corp. Manufacturers Hanover Limited Morgan Stanley International **PKbanken** Salomon Brothers International Limited Société Générale

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3,000,000 new B Shares of FIM 5 par value each

Offer Price FIM 82.50 per share

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Dresdner Bank Aktiengesellschaft Girozentrale und Bank der österreichischen Soarkassen Aktiengesellschaft Leu Securities Limited

Kansaliis-Osaks-Pankki

Nederlandsche Middenstandsbank ny Pierson, Heldring & Pierson N.V. Westdeutsche Landesbank Girozentrale

This announcement appears as a matter of record only.

Swiss Bank Corporation International

Westdeutsche Landesbank Girozentrale

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third

PAINEWEBBER INTERNATIONAL

BANQUE BRUXELLES LAMBERT S.A.

CITICORP INVESTMENT BANK LIMITED

GOLDMAN SACHS INTERNATIONAL CORP.

SALOMON BROTHERS INTERNATIONAL LIMITED

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KLEINWORT BENSON LIMITED

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TOKAI INTERNATIONAL LIMITED

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DAIWA EUROPE LIMITED

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EBC AMRO BANK LIMITED

GOLDMAN SACHS INTERNATIONAL CORP.

LTCB International Limited

ORION ROYAL BANK LIMITED

SHEARSON LEHMAN BROTHERS INTERNATIONAL

Swiss Bank Corporation International, Limited

CRÉDIT LYONNAIS

BANKERS TRUST INTERNATIONAL LIMITED

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COUNTY NATWEST CAPITAL MARKETS LIMITED

CREDIT SUISSE FIRST BOSTON LIMITED DEUTSCHE BANK CAPITAL MARKETS LIMITED

GENERALE BANK

KLEINWORT BENSON LIMITED

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SALOMON BROTHERS INTERNATIONAL LIMITED

SUMITOMO TRUST INTERNATIONAL LIMITED

Union Bank of Switzerland (Securities)
Limited

24th October, 1986

All of these securities have been sold. This announcement appears as a matter of record only.



Australia and New Zealand Banking Group Limited

(Incorporated with limited liability in the State of Victoria)

U.S.\$300,000,000

Perpetual Capital Floating Rate Notes

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ORION ROYAL BANK LIMITED

BANK OF TOYKO INTERNATIONAL LIMITED BANQUE BRUXELLES LAMBERT S.A. BARING BROTHERS & CO., LIMITED

CUBC LEATED COUNTY NATWEST CAPITAL MARKETS LIMITED

DAIWA EUROPE LIMITED

DKB INTERNATIONAL LIMITED

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KIDDER, PEABODY INTERNATIONAL LIMITED LLOYDS MERCHANT BANK LIMITED

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MITSUI FINANCE INTERNATIONAL LIMITED NOMURA INTERNATIONAL LIMITED

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SUMITOMO TRUST INTERNATIONAL LIMITED TARUGIN INTERNATIONAL BANK (EUROPE) S.A.

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ANZ MERCEANT BANK LIMITED

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YAMAICHI INTERNATIONAL (EUROPE) LIMITED YASUDA TRUST EUROPE LIMITED

30th October, 1986

All of these securities have been sold. This announcement appears as a matter of record only.

R & D strategies under scrutiny

A COMMITMENT to research and development has emerged as one of the central issues in the current takeover bid by BTR, the industrial holding company, for Pilkington Brothers, the glass manufactures.

Pilkington has a particularly strong reputation for research and development, dating back to the 1950s when it invented the first process which has revolutionised the manufacture of flat glass worldwide.

BTR, by contrast, has been attacked during the hid for an alleged lack of commitment to R & D, which is said to reflect a short-term approach to business. But how accurate are these images?

It is true that BTR lays no particular stress on R & D and its last annual report discloses nothing more than that "expenditure on research and development is written off in the year in which it is incurred." Pilkingtom projects a much higher R & D profile, but sum-marises the scene in its latest report in just three sentences.

using figures that are substan-tially out-of-clate. Neither company yet complies with growing enthusiasm at Westminster, in Whitehall and by the Bank of England for both a qualitative and a quantitative annual statement of whether and how company money is being spent on R & D.

Since the invention of the float process, Pilkington has continued to invest heavily in float glass, to the time of about float glass, to the time of about £30m this year, half of its total £30m this year, half of its total £30m this pear, this investment has halved the energy consumption over the past 20 years, and increased ten-fold the amount of glass made between shut-

A float furnace now makes a continuous river of glass 65,000 miles long between shutdowns, says Sir Robin Nicholson, tech-nical director. "That kind of research has to go on for ever."

It is the bedrock for earnings of about £30m a year in licence and technical fees, the vast majority of which come from float, Sir Robin says.

He claims the investment has maintained Pilkington's inter-national leadership in the technology, and cites as evidence China's recent choics of the company in competition with Japanese, US and French suppliers of the float process. Sir Robin, who a year ago relinquished the job of chief



How this is spent is his own responsibility, he says. He claims less interference with his role as manager and greater spending powers than he had under the Dunlop management, which he served for 30 years.

"We're in a business where if we stand still we'll disappear fairly quickly," Mr Roberts says. This engineer challenges assertions that the BTR group

looks no more than three years

ahead by citing its recent approval for major investments in new manufacturing plant for aircraft tyres, and for the first

Health-care with a turnover

of about £180m reckons to spend 3 to 4 per cent of sales on

of his group's companies have a research investment closer to

that of the innovative end of the pharmaceutical industry.

His flegship is Bear Medical

board approval

Sir Owen Green (left), chairman of BTR, and Mr Antony Pilkington, who heads the Pilkington board

ment for the Pilkington post, responsibility of group (central) R & D— in some 30 per cent of the total— and a co-ordinating role for a disciplinating role for a disciplinati divisional R & D.

He is also "sponsoring director" for two fast-growing divisions, electro-optics and ophthalmology, both expanding at about 15 per cent annually compared with 2 per cent for the fiat glass business

Company strategy is to have ene-third of its earnings from high-growth, research-based activities by the early-1990s.

This includes adding value to flat glass, for example with coatings conferring a host of new mechanical, thermal, optical and other properties. Sir Robin likens the way his company has gone resolutely downstream in pursuit of greater earnings to the aluminum industry, and in contrast to steel.

BTR has no central R & D laboratory, although it does have a small system technology centre called Real Time Business Systems, serving the group for software. Much of the £4bn conglomerate has little contact with advanced tech-

nology. But parts have an impressive investment in R & D, notably the aerospace companies, mostly acquired from Dunlop in 1984, and the health-care companies, mostly acquired from Thomas filling in 1983.

May 1983.

Tilling in 1983.

Mr John Roberts, chief ascentive of the aerospace companies, spends about 10 per cent of sales of about £100m market, where there is very on R & D.

Artificial limb-making, a traditional craft area, is one be proudly claims to have updated with computer-aided design and manufacturing systems. At least 75 per cent are now assembled from modules machined on computer-controlled machine tools. Mr Collins says bluntly that he is approach to control to the control of opposed to central R & D. He believes each product needs a champion prepared to fight for

He sees BTR's technical philosophy as founded on having individual "centres of excellence" where they are needed — medical data processing, laboratory plastics, aircraft tyres — and appropriate to the market they serve.

This view is charact by City This view is shared by Sir Owen Green, chairman of the company, who in a recent take-over document said: "BTR does not put any component part of its business to the forefront n meeting as failing the reservice to the marketplace.
R & D is no exception. Its funding will be as large as the market is perceived to require from each business as an

A decade ago all of Pilking-ton's R & D was concentrated in a single centre at Latham, Lancs. Today, about 70 per cent of the budget is spent by the divisions and only 30 per cent in the central laboratories.

But this is mainly because the company has made several acquisitions — in Scotland, Australia, W Germany and the phase of a computer-aided engineering system. Both were of a magnitude requiring main-Australia, w Germany and me US — with their own R & D. The Pilkington companies for which Sir Robin is "sponsoring director" re-invest about 12 per R & D, a proportion comparable with its international competitors, says Mr Michael Collins, chief executive. But some cent of sales in R & D, he says. In contrast to Mr Collins of BTR, Sir Robin has no doubt of the value of central R & D, provided there is close inter-action between divisional and central scientists. The job of those at the centre is to keep close to the science that might suddenly become commercially

important, even vital to business survival. This sector of science is now becoming more clearly dis-tinguished as "strategic

His figghty is Bear Medical Systems in California, specialists in highly sophisticated systems such as its latest pateith ventilator in which almost everything the doctor can wish to know about his patient comes together in colour on a visual display.

As My Collins sees it there Examples Sir Robin cites includes holography — laser photography — which was once being explored in the central laboratories as a promising new idea. As Mr Collins sees it, there is good business in medical technology which stops short of ides for electro-optics, but has recently emerged as a new manufacturing process for manufacturing process for bifocal contact lenses.

London and **Manchester** new life business up

Lenden and Manchester. the industrial life assurance group, said its new single premium business was £55m last year, up 15.5 per cent on the 1985 figure.

New annual premiums fell nearly 2 per cent to £23.2m. Total sums assured on both classes of new business rose to £715m, 16.6 per cent up en the previous year's total. Mortgage lending also expanded, with L and M's loan portfolio up 27 per cent to £210m at the year's end.

L and M said overall new annual premiums in its home service division were 6 per cent lower at £9.7m. Of this total, industrial branch new premiums fell 7 per cent to £6.3m, and ordinary branch new annual premiums decreased 5 per cent to £3.4m.

The division's new single

The division's new single premium business grew by ?? per cent cent to a record 59.1m. "These results were undoubtedly affected by the major divisional structure and field management changes implemented during the second half of the year," L and M said,

L and M's general branch increased new business premiums by 4 per cent. Its life broker division boosted new single premiums by 18 per cent to £28.1m. New annual premiums fell 8 per cent to £8.6m.

New annual premiums in the pension division grew 24 per cent to \$4.9m, while new single premiums fell 6 per cent to £11m.

F.T. Share Information The following securities have been added to the Share Information Service. Ashtead (Section: Building Timber & Roads)

Brierley Investment (Indus Celtic Haven (Industrials)

Weeltons Betterware (Drapery & Stores)

John Laing setting up high technology side

largest construction companies, over the last two years.

is about to announce a major "A main reason for
diversification into high techdiversification is that g

It is setting up a new Energy, Technology and Environment division (ETE) which will offer services in everything from asbestos removal and supplying emergency dealing rooms to cabling computer systems and computer sided road design, energy management and processing nuclear waste.

cessing nuclear waste.

It will draw together 15 different Leing companies including its latest acquisition, the Aberdeen-based offshore engineering company Oilfab, in a new division that is planned to earn up to 10 per cent of Lsing's profits by 1990.

And if all goes according to plan, ETE could ultimately

profits, said chairman Mr. Martin Laing. He has decided to diversify into technology to compensate for the downturn in profits and workloads in public sector civil

engineering.
This has remained depressed.

even though other construction activities such as housebuilding and shop and office building

son as an executive director in

an effort to strengthen its

Mr Stanley Sharp, Hobson's controlling shareholder since last summer has been appointed

chairman to replace Mr Rodney Harnett, who resigned from the

board.

Hobson also announced that

it was reviewing the operations of its original business, development of the dis-making process, in an effort to stem the cash drain from the com-

Bell Group N.V.

A\$75,000,000

11 per cent.

Guaranteed Convertible Subordinated Bonds due 1995

The Beil Group Ltd

ADJUSTMENT OF CONVERSION PRICE

BANQUE SUDAMERIS

U.S.\$30,000,000 Floating Rate

Notes due 1987

For the six month period

15th January, 1987 to 15th July, 1987

interest rate of 67/6% per annum.

Interest payable on 15th July, 1987.

Agent Bank

Agent Bank

the Notes will bear an

A main reason for the diversification is that general contracting is highly competitive and civil engineering is a static and low margin business," said Mr Laing.
"We wanted to move into a

business with a high profit margin because if we just stayed doing competitive tendering we would never get high

division will now be the major investment activity for the company other than buying housebuilding land and construction equipment for the next four to five years."

next four to five years."

The ETE division companies achieved a turnover of £60m out of Leing's total £800m group turnover in 1986. This is planned to rise to £80m within the next two years.

The new division is expected to earn a profit of £1.75m in 1987, out of an estimated total group profit of £37m for the year. ETE profit is then expected to rise to £3.5m in 1989

John Laing, one of Britain's have shown a marked upturn cabling and telecommunications cabling and relecommunications installations will account for between 25 per cent and 50 per cent of the value of all commercial building contracts in

the next decade.

Mr Laing is now looking for new companies to add to his ETE division. He is particularly interested in buying into electronic instrumentation and control, and in increasing the group's involvement in energy group's involvement in energy conservation and computer soft-

conservation and computer soft-ware.

To try and retain a more entrepreneurial spirit than is customary in large contracting companies, all the ETE com-panies will be kept as small, independent entities rather than being homogenously ab-sorbed into the Laing group.

With its new division, Laing is joining a string of other UK contractors which have been forced to diversify away from the depressed civil engineering sector.

The new division is expected to earn a profit of £1.75m in 1987, out of an estimated total group profit of £37m for the year. ETE profit is then expected to rise to £3.5m in 1989 diversified into mining as their and to continue a steep upward trend.

The group is also banking on predictions that computer the depressed civil engineering the cotton of the depressed civil engineering the cotton.

Barrow urges holders to Hobson board changes approve Tor purchase . Hobses, struggling to contain losses from a patented alumin-ium die-making process, has appointed Mr Richard Thomp-

BY CLAY HARRIS

its proposed purchase of Tor Coatings, a maker of speciality

Yule Cato has criticised the 23.15m cost of the acquisition, which must be approved at an which must be approved at an extraordinary meeting on Friday; it said that Barrow was paying 24.4 times Tor's £129,000 after-tax earnings in the year to May 1986. The chemicals, building products and plantations group maintained that this fully discounted future strowth.

Barrew Hepburn, the engin-the level which Tor must sering and chemicals group facing a £17.5m takeover bid from Yule Cato, yesterday additional payment, is a better urged shareholders to approve indicator of the company's prospects.

ments that Tor, which makes anti-graffiti and anti-climbing paints among other products, would be able to expand from its base in north-east England with Barrow's backing. Under the purchase agree-ment, Tor's present owners

have promised not to sell their new shares, equal to 12 per cent of Barrow's expanded capital, without the agreement growth.

Barrow argued yesterday this provision was included at that pre-tax profits of \$400,000, the request of Tor.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Announce—

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LG. INDEX

PLYMOUTH

The Financial Times

proposes to publish a Survey on the above on

Tuesday April 7 1987

For further details.

Discuss compacts

CLIVE RADFORD

Financial Times

Merchants House

Wapping Road

Bristel BS1 4RW Telephone: (0272) 292565

EUROPE'S BUSINESS

NEWSPAPER

BOARD MEETINGS

1,401-1,407 (+1) Tel: 01-828 5699 The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividence. Official indications are not A Financial Times Survey

dividence. Uncer industries are in available as to whether the dividend are interime or finals and the sub-divisions shown below are been metrify on last year's timetables.

We are pleased to announce that

Stephen W. McCrone

has joined our company as managing director



71-73 Carter Lane, London EC4V 5EQ Telephone 01-489 8028 - Telex 941 3575 KOOY G Telefax 01-248 3494 - Member of ISRO

ANGLOVAAL LIMITED TAY

Registered Office: Anglovasi House, 56 Main Street,

Johannesburg, 2001. 19 January 1987

CLOSING OF REGISTERS Notice is hereby given that the transfer books and the registers in Johannesburg and London of the holders of ordinary, "A" ordinary and participating 5% preference shares will be closed from the close of business on 3 February 1987 to the close of business on 9 February 1987 for the purpose of determining those shareholders entitled to attend and vote at the separate class general meetings and combined general meeting relating to the creation of First Cumulative Variable Rate Preference Shares, which meetings will be held on 9 February 1987 at the registered office of the Company.

Members are referred to the relevant circular to members dated 16 January 1987.

By order of the Board E G D GORDON Secretary London Secretaries Anglo-Transvaal Trustees Limited, 295 Regent Street London W1R SST, England.

THE RESIDENCE OF THE PARTY DESCRIPTIONS



INVESTORS IN INDUSTRY GROUP PLC

£75,000,000 Floating Rate Notes 1994 For the three month period 15th January, 1987 to 15th April, 1987.

In accordance with the provisions of the Notes, notice hereby given that the rate of interest has been fixed at 11% per cent. per someth and that the interest psyable on the relevant interest psyment date, 15th April, 1967, against Coupon No. 10 will be £ 1386.99 from Notes of £ 50,000 nominal and £138.70 from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd. (Agent Bank) MARCH-IS DOBUG IN IN IN CHARGE IN MARCHINE

NOTICE OF PREPAYMENT



Floritog Rate Certificates of Deports Issued 24th February 1984 Maturity 29th February 1988 (Callable February 1987)

Notice is hereby given in accordance with Clause 3 of the Certificate of Deposit ("the Certificates") that The Mitsui. Bank, Limited will prepay all of the outstanding Certificates on 27th February, 1987 at their principal amount.

Payment of the principal amount together with accrued interest will be made on the prepayment date against presentation and surrender of the Certificates at the London Office of The Mitsui Bank, Limited, 34-35 King Street, London EC2V 8ES. Interest will cease to accrue on the Certificates on the prepayment date.

Agent Bank . J. First Interstate Capital Markets Limited

Hoare Govett Limited is pleased to announce that its

Corporate Finance Division

is now located in its new London Headquarters at:

Telephone: 01-601 0101 Telex: 297801 HORGOV-G Ref: LNCFS

HOARE

4 Broadgate, London EC2M 7LE

Facsimile: 01-374 4494

Company, London



DES PETITES ET MOYENNES ENTREPRISES up to US\$200,000,000 **Guaranteed Floating Rate Notes** Due 1996

For the six months
15th January, 1987 to 15th July 1987
the Notes will carry an interest rate of
514/4% per annum and Coupon amount of
US\$285.95 per US\$10,000 Note, payable
15th July, 1987

kers Trust spany, Lieske

NOTICE OF CALL AND REDEMPTION To the Holders of The Bank of Tokyo, Ltd., Portland Branch US\$5,000,000 Callable Negotiable Floating Rate Certificates of Deposit due February 1, 1988 (the "Certificates") Notice is hereby given that, pursuant to the provisions of the Certificates. The Bank of Tokyo, Ltd., Portland Branch ("the Bank") will prepay the outstanding principal amount of the Certificates identified below in full on February 2, 1967, the next interest Payment Date, together with the interest accrued to that date. Payment will be made paintst presentation and surrender of said Certificates at The Bank of Tokyo Trust Company at 100 Broadway, New York, NY 10005. The Certificates being celled are as follows:

Total Number of Certificates Redeemed issue Date February 1, 1983

\$5,000,000

The Bank of Tokyo, Ltd., Portland Branch, 411 SW 6th, Portland, Oregon, 97204

FINANCIAL TIMES STOCK INDICES

THE STOCK INDICES											
	Jan. 16	Jan. 15	Jan. 14	Jan. 23	Jan. 12	Jan. 9	198 High	6/87 Low	Since Compilation High Low		
Government Secs	85.43	84.88	84.82	84.57	85.23	85.51	94.51	80.39	127.4	49.18	
Fixed Interest	91.52	91.35	91.26	91.25	91.47	91.43	97.68	86.55	150.4	50.53	
Ordinary	1403.0	1406.9	1389.0	1393.9	1389.4	1386.4	1425.9	1094.3	1425.9	49.4	
Gold Wines	333.0	338.7	335.5	326.3	337.5	324.9	357.8	185.7	734.7	43.5	
FT-Act All Share	891.38	890.42	879.65	879.51	875.74	873.53	891.38	664.42	891.38	61.92	
FT-SE 100	1789.0	1789.0	1765.2	1763.3	1755.6	1752.3	1789.0	1370.1	1752.3	986.9	

Financial Times Monday January 19 1987 01-493 9990 +85 120 274 274 104.6 164.7 144.7 149.7 261.7 151.9 152.9 ## 195.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | | No. Iders to 4 Mary Florence Management Co Ltd No. 1 Lordon Bridge, London, SAC 9011 panes Jos 19 755 975 International Law 20 1755 1847 International Law 20 1755 1847 September 19 187 1951 TSB Unit Treats (h) (c) (y) Emily & Law Str. Tr. M. (a) (a) Alliegh Les Peug Acetto 1249.2 1104.3

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1 & 5 Putting up with instructions is a military term (8, 6)

9 Surprisingly true—lose but determined (8)

10 Conclude organ has cause to 2 Rate a vessel-oriental one 3 Become mixed with girl on ention Unit Tot Ningment Ltd clopping Gate, Leaden SWI. 01-628 5112. 17 mat. h13.0 124.4 +0.5 0.62 17 mat. 54.0 56.8 +0.7 0.97 instrument (5)
4 Race with friend all over the country? (10) Stack Horse Life Ass. Co Ltd

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Stack Horse Life Ass. Co Ltd

Stack Horse Ass. Fd. 174, 78

Stack Loris Inches Fd. 174, 78

Stack Loris Court Fd. 174, 78

Loris Growth Family 174, 78

Loris Growth Family 174, 78

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First Position May 25.75.0 10.00 be esteemed (6)

11 High standing attitude (8)

12 No man is one according to (44)
7 Get a lift across the Atlantic? 70.9i Winster Food Namagers Ltd Minster House, Arsher St, ECSR 98H Master 122,7 126 Exempt Nov 28 2753 280 Donne (6)

14 Eve for example (10)

15 Oddly lads can love us to be diagraceful (10)

22 At home, Mussolini could persuade (6)

23 Capone returned annoyed with English game (8)

24 University in new state—that's shrewd (6)

25 Industrious student goes into editing for a change (8)

26 Way out fabric rejected by Son (6)

27 Forefather in France stored (8) 8 Cut up about theologian 7.15. 1.15. 2904 +14 254 984 +27 254 1154 -10 622 1847 -12 622 2004 +04 154 2005 +04 154 1949 +05 114 1850 +24 037 F.P. Emily Dist. being in hut (8) 14.12 17.12 17.12 14.53 14.53 14.53 17.13 17.14 13 Excitement—no time for feig-13 Excitement—no time for feig-ning! (10)
15 Dropped by Cockney for last match (8)
16 He gives orders at random perhaps (8)
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Earga Index

Late Index

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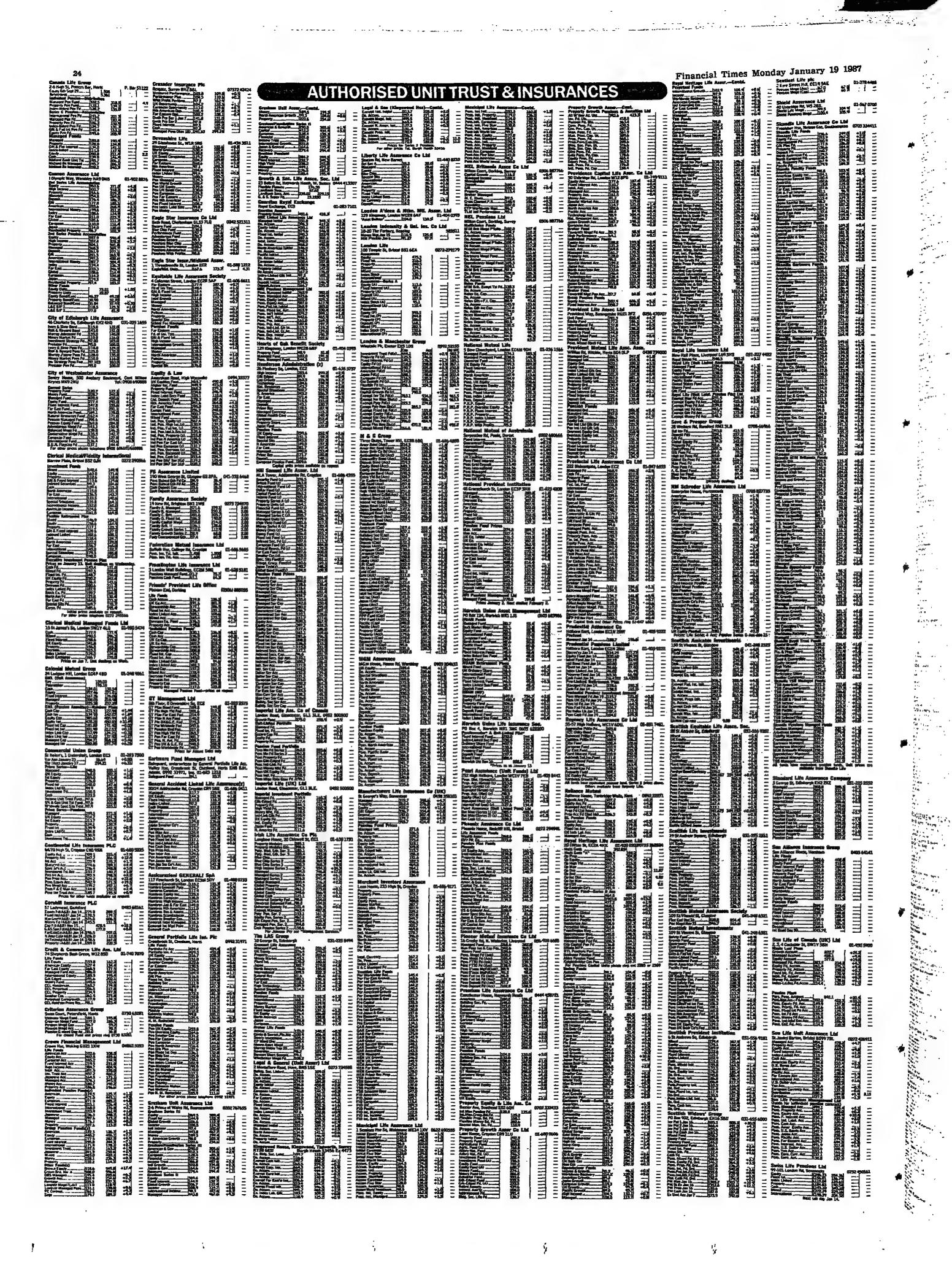
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Financial Times Monday January 19 1987 p (Allert E.) & Co (1) Fil March 144 (1) Fil Marc ance Co Lini mbrook Dr. 1844 HIHILI M. A. G School Flood PO box 94. 32 Pear Part USS Inhibitions, Fol. Division of San Habitions, Fol. Division of San Habition, Fol. Division of San Habitation, Fol. Division of San Habition, Fol. Division of San Habitation, Fol. Division of San Habitation, Fol. Division of San Habition, Fol. Division of San Habitation, Fol. Di | March | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | 1965 | Lead 1987 A STATE STATE OF THE Pirst Convertible Secontine Fund
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Nuclear services

PRESS CONSTRUCTION has won its biggest ever project in the nuclear industry. The industrial engineering division has now secured a £21.5m contract for the mechanical and electrical installations in the massive new liquid waste treatment plant at AWRE Aldermaston. plant at AWRE Aldermaston.
Under the Property Services
Agency contract, Press is to
supply and install fabricated
pipework, cabling and heating
and ventilating ducting in the
cellular re-processing building.
The company, which plans to run the task as a self-supporting autonomous project, will also erect process and service equip-ment and machinery, install ment and machinery, instant electrical and instrumentation services, and provide supporting steelwork. The extremely high quality standards applicable throughout construction will be monitored by strict quality-control regimes backed by companions of the control regimes backed by companions and postprehensive inspection and non-destructive testing programmes. Commissioning of all plant and pipe systems is included in the

BUILDING

Egyptian contracts for UK companies

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

The largest has gone to a Trafalgar House subsidiary, the specialist steel fabricator DOR-MAN LONG OVERSEAS, which also worked on the steel structure of the Hong Kong and Shanghai Bank.

DLO has been awarded a £32m contract by Egypt's Ministry of Military Production for supplying 19,000 tonnes of structural steelwork for a military workshop complex 45 kilometres from Cairn.

It has also won an £3m contract to supervise steel fabrication in Egypt, and erection of the buildings on site.

Designed for servicing armoured vehicles, the complex consists of a large main workshop and 13 smaller stores and support buildings.

support buildings.

Half the steel—principally the technically complex structures such as the supports for the large overhead cranes in the main workshop—will be fabricated at Trafalgar's Cleveland Bridge works at Darlington works at Darlington.

TWO BRITISH companies have won contracts worth a total of fabricated atructures will be fabricated under Dorman Long overseas' supervision on site.

The largest has gone to a Trafalgar House subsidiary, the specialist steel fabricator DOR. MAN LONG OVERSEAS, which It will be working with a major private sector Egyptian company, the contractor AYOUBCO SAE.

The second major contract has gone to UBM Overseas, the Bristol-based exporting arm of the Norcros building materials UBM Overseas has notched up

Use Overseas has noticied up its largest-ever order with the award of a £24.9m contract to supply building materials and construction equipment for a new military township at El Hammem, west of Alexandria. The company will supply the materials for the township—which include steel sections, doors and window fittings—over

two-year period. UBM Oversess won the contract after negotiations as a result of its previous experience working in Egypt, and its expertise in bringing together a wide range of subcontractors.

£30m orders for Monk

destructive testing programmes. Commissioning of all plant and pipe systems is included in the contract. Scheduled for completion in the spring of 1988, the project will provide employment for up to 300 specialist tradespeople. Press also anticipates some recruitment of skilled personnel to build up the site force.

Hong Kong

The Hong Kong government has awarded a contract worth a \$200m (250m) to a joint venture of LEIGETON BOLD-INGS of Australia and AOKI CORP of Japan to construct a housing estate.

The project involves construction of \$24 high-rise appartment blocks on a \$56 hectare site at Chuk Yuen West in the New Territories.

The joint venture was appointed under the private sector participation scheme of the Hong Kong Housing Department. Construction is expected to begin next month and is scheduled for completion two years later.

Over £30m of contracts for building part in the spring of 1988, the project limit department of a marked to a MONK & CO. They include: the Bridsh part limit read for the Department has severed and three box section structures large way, a 130-metres long viaduet and various other work for the Durocstre byte of the advance works for the Durocstre byte of the advance of the security of the advance of the security of the advance works for the Durocstre byte of the durocstre byte of the durocstre byte of the durocstre byte of the dur

Over £30m of contracts for build-ing and civil engineering work have been awarded to A MONK & CO. They include: the Brid-tunnel repairs at Bristol valued

DIARY DATES

Current
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International Light Show (05884 International Spring Fair (Gift specifism 01-855 9201, Hardware specifism 0604 22023)
NEC, Biratingham

January 28-22
Office and Contract Interiors
Exhibition — DESIGN (01-868
Exhibition — Design Centre
January 22-25
Ideal Home Exhibition (0202

Reyal Garden Hotel, W8 286275)
Metro Exhibition Hall, Brighton
January 22-25
Holiday and Leisure Spectacular
(01-583 9199)
Kenslagton Exhibition Centre
January 7-29
Hiver Publisher (21-58)

Hirer Exhibition (01-688 7788)

Wembley Exhibition Hall

January 31-February 4

British International Toy and
Hobby Fair (01-701 7127)

Earls Court

February 12-15

Cructs Dog Show (01-493 7838)

Fairs Court

February 14-22

Boat, Caravan and Leissure Show (021-236 3366) NEC, Birmingham

ORT (01-221 2043) (until January Bembe Hong Kong Fashlon Week (01-930 7955) (until January 21)

Overseas

Exhibition (01-651 2191) International Oil and Gas
Chemical and Process Engineering Industries Exhibition and
Conference—CHEMTECH AND
Conference—CHEMTECH AND
Dusseldori

January 31-February 8 Caravan, Camping, Car. Boat, Garden and Tourism and Leisure

Spring Fair (01-734 0543) February 25-Harch 3 Hong Kong International Fairs: Food; 8 Materials Handling and Ware-Car, Boat, housing Packaging and Printing

Business and Management Conferences

January 19 International Business Communi-

4080)
January 22
The Strategic Planning Society:
Strategic Issues for the 1990s—
new frontiers? (01-235 0246)
6 John Adam Street, WC2

Insurance and Reinsurance Research Groups: Cargo insur-ance clauses international work-shop (01-336 2175)

January 28 IBC Legal Studies and Services:

Takeovers and acquisitions in the US—the key issues (09323

International Business Communications: Long-term finance for 55244)

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January 21-22
IBC: Control accounting and Financial Times Conferences:
12xation of bank risk (01-236 termes—entering the American
Language 12-22
Language 13-22
Language 13-

market (01-621 1355) Hotel Inter-Continental, W1

The Strategic Pianning Society:

Strategic issues for the 1990snew frontiers? (01-255 0246)
6 John Adam Street, WC2
January 26-27
Brunel Management Programme:
Managing stress at work (0895
56461)

Brunel University, Uxbridge
January 27
Longman Seminars: Relief from
Capital Gains Tax (01-242 4111)
Barblean Centre, EC2
January 27
NEDO: Who benefits from corporate venturing? (01-211 3100)
February 3-4
Insurance and Reinsurance
Research Groups: Cargo insurance

The loweness Lawrence Tree and Longman Seminars: Film and television production—evaluation and management of risk tion and (01-242 4111) Barbican Centre, EC2

Assume wishing to attend any of the above events is advised to telephone the organizers to ensure that there has been no change in the details published.

HALF-PRICE

January is SALE-TIME at Watches of Switzerland and we are offering a wide selection of famous-brand Swiss watches to clear at HALF PRICE. There are many to choose from but in ones and twos only, so first-come, first-served. All are new and needect and carry our normal international guarantees.

EXAMPLES Lady's ONEGA	WAS	SALE PRICE £147.50	EXAMPLES Lady's ROTARY	WAS 2525	SALE PRICE £267.50
Gent's ONEGA	24,150	£2,075	Gent's ROTARY	£82.50	£41.25 £49.75
Lady's LONGINES Gent's LONGINES	£295 £325	£147.50 £162.50	Lady's TISSOT Gent's TISSOT	£65	£32.50
Lady's J. RENET Gent's J. RENET	£195 £165	£97.50 £82.50	Lady's BAUME+ MERCIER	£2,066	£1,033
Lady's B. GIROD Lady's B. GIROD	£1,295	£447.50 £647.50	, Gent's BAUME+ MERCIER	£4,132	£2,066

ry, many more of these and other brands, subject to availability. Plus many nents in quality clocks. NO REPEATS. All usual credit cards accepted or please ask for details of our INTEREST-FREE CREDIT facilities.

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62/63 Fenchurch St, EC3;
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SPONSORED SECURITIES Ass. Brit. Ind. Ordinary Ass. Brit. Ind. GULS ... Carborundum Ordinary 222
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George Blait 2000 9.1 10.7 3.8 George Blair Ind. Precision Castings Isls Group James Burrough 9pc Pf. 90 Multihouss NV (AmstSE) 660 12.9 14.3 14.1 17.0 Torday and Carlisia 8.7 4.0 7.8 2.4 2.8 3.8 5.0 4.2 323 73 118 ----

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Granville Device Coleman Limited 27 Lovet Lane, London EC3R 8DT Telephone 01-621 1212 Member of the Stock Exchange

SOCIETE CENTRALE DE

BANQUE

2 ft 2 20 min and 2 FLOATING RATE **NOTES DUE 1995**

For the six months, January 5, 1987 to July 5, 1987, the rate of interest has been

fixed at 6 7/16% P.A.

The interest due on July 6 1987-against coupon nr 4 will be \$US 325,45 and has

seen computed on the actual

number of days elapsed

(182) divided by 360.

THE PRINCIPAL PAYING AGENT.

SOCIETE GENERALE

ALSACIENNE

DE BANQUE

NATIONAL BANK

OF CANADA **\$US 100.000.000**

FLOATING RATE

DEPOSIT NOTES

DUE APRIL 1995

For the three months,

January 7, 1987 to April 6, 1987, the rate of interest

has been fixed at

The interest due on April 7,

1987 against coupon nr 8 will be \$US 165,63 and has

been computed on the actua

divided by 360.

number of days clapsed (90)

6 5/8% P.A.

Avenue Emile Reuter LUXEMBOURG

185 97

construction The Business & Retail Park Builders New Building, Refurbishment, Infrastructure BRACKNELL 0344 426688 021-704 5111 SOLIHULL

and the second of the

Company Notices

COMPAGNIE FINANCIERE DE FARIBAS EMPLOYEE SHARE OFFER Any former employes of:

Emous Parible London Branch
Benque Parible Capitat Markets Lid
Or any Subsidiary or Predecesor
thereof
having had five or more years'
service may be eligible to participate in the above offer on
preferential terms. If you think you qualify, please contact, by January 23, the relevant Staff Maneger on: Benque Paribas Capital Markets Ltd 355 2000

nque Paribas London Branch 929 4545 Quiter Goodison Company Ltd 600 4177 This notice has been issued by Date published: 19 January, 1987

Clubs

WE has outlived the others because of a policy of fair play and value for money. Supper from 10-3 30 am. Disco and too musicians. Glamorous hostesses, section provisions. 189, Regent St. Wf. 01-734

TRAPALGAR FUND Registered Office: bourg, 14 rue Aldringen Commercial Register: Section B No. 8202

The Annual Goneral Meeting of Shareholders of Toraral Meeting of Shareholders of toraldering and
wording upon the following material
1. In hear and accept the resports of
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ECZY 605 THE BOARD OF DIRECTORS

IN CONVERSION RATE FINANCE N.Y.

SERVICE CORPORATION INTERNATIONAL FINANCE N.V



INTERNATIONAL THE FT EVERY FRIDAY

Contracts and Tenders

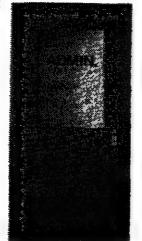
INTERVENTION BOARD FOR AGRICULTURAL PRODUCE INVITATION TO TENDER

Tenders are invited for the supply of 19,000 tonnes of bagged soft wheat flour to Sudan for delivery on F0 stowed and trimmed terms to an EEC port. Loading shall commence no earlier than 12th February 1987 and no later than 26th February 1987 for 15 days.

The price for the supply and transportation costs of the soft wheat flour for the above tenders will be determined on examination of the tenders which must be submitted by noon on 29th January 1987 to: Branch B (Cereals) Internal Market Division, Intervention Board for Agricultural Produce, Fountain House, 2 Queens Walk, Reading, Berks RG1 7QW. Tel: Reading (0734) 583626 Ext 529.

Notices of invitation to Tender together with Tendering forms may also be obtained from the above address.

CHOOSE THE WRONG CHARITY FOR YOUR PAYROLL DEDUCTION **SCHEME AND YOUR DONATIONS WON'T JUST** GET EATEN UP IN AFRICA.



By next April you should

have set up a Payroll Deduction Scheme for your employees. And it's up to you to estabfish a scheme which won't waste

their money. 96% of every donation made

to War on Want will get through to the third world, where we fund long term as well as short term projects in thirty different countries.

So if you haven't established a Payroll Deduction Scheme yet, cut out this coupon. You can be sure our deductions will be kept to a bare minimum.

	Please send me the War on Want Payroll
D	eduction Scheme information kit. (I enclose £2.5
	cover costs.)
pl.	ME
CC	BPARY
40	Desc

WANT

WAR ON WANT, ROOM 33B, THREE CASTLES HOUSE, LONDON BRIDGE STREET, LONDON SEI 95G

LANDFILL **GAS EXPLOITATION SCHEME**

The second of the second of the second

Bedfordshire County Council have received a Consultant's Feasibility Study Report which indicates a potential of 2 million therms of landfill gas a year for a minimum of 10 years at its Sundon landfill site near Luton.

The Council invites enquiries from companies interested in reially exploiting the energy potential of the gas. For further information call Gower Keeling on Bedford 228602 or write to The County Surveyor (Waste Disposal), Bedfordshire County Council, County Hall, Bedford MK42 9AP.

Company Announcements

FORMATION OF INTERNATIONAL VALVE SPRING

WIRE MANUFACTURERS ASSOCIATION

Four principal manufacturers of steel valve spring wire recently met in Washington D.C. to establish a new trade association, known as the International Valve Spring Wire Manufacturers Association. Valve spring wire is used in the manufacture of valve springs for combustion engines and

The four founder members are American Spring Wire Corporation of Bedford Heights, Ohio, Garphyttan Hesselman AB of Garphyttan Sweden, Sanko Senzai Kogyo Co. Ltd. of Kyota, Japan, and Suzuki Metal Industry Co. Ltd. of Tokyo,

The objectives of the Association include the promotion of the use of Valve Spring Wire and the improvement of the members services to their customers and the general public. One of the primary goals of the association is to develop standards for valve spring wire.

At the organisational meeting of the Association, Lawrence O. Selborst of the American Spring Wire Corporation was elected President. The Vice Presidents are Mr Lars-Ake Helgesson of Garphyttan Hesselman AB, Mr Torao Takemika of Sanko Senzai Kogyo Co. Ltd. and Mr Shuji Murayama of Suzuki Metal Industry Co. Ltd. Mr Junji Sonaka of Suzuki will be the Association's Secretary and Mr Mats Kalvemark of Garphyttan will serve as Treasurer.

Anyone requiring more information from within the U.K. should address their enquiry to Garphyttan Hesselman Ltd., Hilton Road, Ayeliffe Industrial Estate, Newton Ayeliffe, Co. Durham DL6 6SX.

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE

ALSACIENNE DE BANQUE 15. Avenue Emile Reuter LUXEMBOURG

Legal Notices

No. CORRES of 1986
IN THE HIGH COURT OF JUSTICE
Chancery Division, Re:
SEDICITICE GROUP pic
and Re: The Companies Act 1985. NOTICE IS NERESY GIVEN that the Order of the Nigh Court of Justice (Chancery Division) dated the 5th October 1986 confirming the reduction of the Share Framewar Account of the shore-nemed Company 1968,841,755.48 to E184,148,49 was registered by the Registers of Coupanies on the 12th December 1988.

DATED the 2nd January 1987.

LINKLATELS & VALUES Solisitions to the Company

Mo. 006775 of 1988
IN THE HIGH COURT OF JUSTICE
Chancery Division, Re:
FEARL ASSURANCE PUBLIC LIMITED
COMPANY
and Re: The Companies Act 1985. NOTICE IS HEREBY GIVEN that the Order of the High Court of Justics (Chancery Division) dated the 16th December 1986 confirming the reduction of the capital of the shove-named Company from £2,550,000 to £48,397.25 and the Minute approved by the Court showing with respect to the Capital as eltered the several Perficulars required by the above-mentioned Art. were registered by the Ragisters of Companies on the 31st December 1988. DATED the 9th Jaquery 1987. LINKLATERS & PAIMES

ALCAN AUSTRALIA LIMITED U.S.\$75,000,000

Floating Rate Notes due 1989 in accordance with the provisions of the Notes, notice is hareby given that the rate of interest for the period 18th January 1987 to 18th July 1987 has been fixed at 8.4376 per cent per entry per cent per ennum.

On 18th July 1987, interest of U.S.5322.68 per U.S.530,000 nomical amount of the Notes, will be due egalest interest Coupon No. 17.

SMISS RAME COREGRATION

SWISS BANK CORPORATION
INTERNATIONAL LIMITET
Reference Agen

		W	ORLD STO
AUSTRIA 1986-87 Jan. 16 Price	FRANCE	AUSTRALIA	JAPAN
#igh Low Sch Sch Sch 2,605 2,105 Gredit nst it pp 2,130 3,850 3,775 Gosser 3,110 21,750 12,750 12,750 12,000 Jungbunziauer 11,100 21,750 1,950 Lenderbank 2,100 50 Perimoseer 655 211 150 Seyr Dalmier 555 8,850 Veitscher Mag 11,030	764 508 BIC	1986/7 Price Price	1986:7 Jan. 16 Yer
BELGIUM/LUXEMBOURG 1985:87 High Low Jan. 16 Frs. 5.500 2,290 8.B.L	1,467 909 Bouygues	8.70 2.45 Aust. Nat. Inds 3.10 11.1 5.9 (Bell Group	1,840, 1,180 Casle Comp
5,110 5,580 EBES 4,910 17,350 10,485 Electrobel 14,925 2,700 1,810 Fabrique Nat. 1,836 9,530 2,580 GB Inno BM 9,520 4,528 2,695 GB (Bruz) 8,610	488 347.5 Coffmeg	9.32 6.2 BMP. 9.3 9.56 6.3 Burns Philip. 9.3 8.30 6.48 CRA 7.2 3.78 2.60 CSR 3.56 6.6 2.7 Chase Corp. 5.4 1.24 0.63 Claremont Pet. 0.88 6.4 4.1 Cotes.Myer. 6.14 2.62 1.80 Comalco "A" 2.55 0.35 0.10 Comsolidated Pet 0.34	1,990 841 Delwa House
6,850 4,750 Geveert 6,040 8,150 5,700 Hoboken 7,940 5,995 2,880 Intercom 3,990 4,450 2,430 Kredietbank 4,070 11,650 9,900 Pan Holding 10,700 9,380 6,050 Petro/ina 9,490 89,488 17,200 Royale Belge 29,385 3,500 2,120 Scc Gen Belge 3,420 13,400 7,710 8,500	350 165 Maisons Phentx 184,8 2,776 1,480 Matra 8.A. 2,570 3,565 1,725 Michelin 8 2,845 6,690 1,435 Midi (Cle) 1,675 2,580 1,735 Moet Hennessy 2,370 116 54,7 Moulinex 100 241 155,1 Mord East 190 1,265 807 Pernod Stoard 1,052 845 481 Perrier 190 479,2 296 Petroles Fra. 446	5.15 1.7 Costain Aust	2,350 1,150,Hrtachi Credit 1,71 1,450 989 Honda
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645 475 BMW. 523 548 332.6 Brown Boveri. 288 577.5 268 Commerzbank 304 368.2 903 Cont'l Gummi. 325 1,549.6 1,106 Dalmier-Benz	1986/7 Jan. 16 Price High Low Fis 68 44.6 ACF Holding	1.54 C.65 Boustand Hidgs 1.39 4.02 2.17 Cold Storage 3.8 10.0 4.4 DBS	1.200
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530 / 318 Karstadt	186,5 1,50,0 Heineken	8.86 5.5 Singapore Press, 8.1 3.9 1.96 Straits Trig	2,750. 1,550 Pioneer 8,21 1,30. 755.Rigon 9 1,760, 1,070 Sankyo 9 1,760, 1,070 Sankyo 9 1,000 1,280 Sanwa Bank 9,11 450 580 Sanyo Elect 8 1,440 582.Sanporo 1,1 1,760 800 Sakisu Housse 1,7 1,760 800 Sakisu Housse 1,7 1,760 800 Sakisu Housse 1,7 1,80 811 Sharp 9,51 1,80 311 Sharp 7,50
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890 495:Saab Soanie Free 710 986 155:Sahdvik 155 615: 114:Skandia 114 141 105:Sten Enskilda 114 152: 256:Skyr 108 245, 157:Stora Kopparbrg 295 475: 140:Sten Handlesbak 450 475: 220:Swedish Matchel 450 453: 296'40'09 Free 156	1986/7 Jan, 16 Pri High Low H.5 84.1 17.4 Sank East Asia 23 6.00 5.15 Cathay Paolitio 27 40.5 17.9 Chaung Kong 37 21.5 14.5 China Light 3 0.55 0.55 Evergo 0 44.20] 32.25 Hang Sang Bank 43	5.5 1.8 Abersom	SPAIN 1988/7 High Low Jan. 16 Pt 1,520 415 Seo Bilbae
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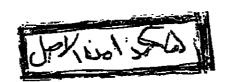
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FRICES | The little will be a considerable with the considerable NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES | The content | Stock Dis, Yell E 1925 High Stock Series of 1925 High Secrity 1925 High Secrity 1926 | Stock | Dr. | Yel | E | 1003 | Inject | May Cost | 1.02 | 2.3 | 1.7 | 1.53 | 2.51 | May Cost | 1.7 | 2.51 | 2.51 | May Cost | 1.7 | 2.51 | 2.51 | May Cost | 1.7 | 2.51 | 2.51 | May Cost | 1.7 | 2.51 | 2.51 | May Cost | 1.7 | 2.51 | 2.51 | May Cost | 1.8 | 2.51 | 2.51 | May Cost | 1.2 | 2.51 | 1.5 | 2.51 | May Cost | 1.2 | 2.51 | 1.5 | 2.51 | May Cost | 2.7 | Chee pf4.48 8.5 Chee pf4.48 8.5 Chee pf4.48 7.9 Chessen 72 22 12 Chessen 73 22 Chessen 74 4.1 Chessen 74 4.1 Chessen 74 4.1 Chessen 74 4.1 Chessen 74 22 Chessen 74 24 Chessen 2

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PI

7-32 111, 45 127, 128, 35 151,

7725 2874 94 5872 3282 2458 27100 4612 27100 103 82 1372 81 1254 2300 85 96 1274 2200 129 2220 117 2300 9618 2110 84 2110 84 2110 84 2110 84 2110 84 2110 84 2110 84 2110 84 2110 84 2110 84 214 279 278 1578 Process 2.70
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Tribing 1.450
Tri 的时候对我们!" 6 班外他不到对人的专机的人们就没有行机的两个现代的最后还可是的经行这种行为了自己的证据。 West pt 38
West pt 38 Gatwille Gat # 1 | Maccile | Apidhile
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Bart Cricago de Concesso de Concess · 林宇和伊州市,我也以他只有为中央也对那么可能到他的小门内,他就是我民族的自然的那么对此是是他们为什么 1876 - 1874 - 18 954, 22 107, 10 10 15 277, 277, 94, 267, 124, 135, 247, 124, 124, Resided J. 18 Part 1 Pa 5 TELENTAL BERNELLE STATE STAT В 21 19 21 19 29 25 4,0 11444182193614418327743444438377344393444438374433277433277784422473247784422473277433277784422473 13 25 1,9 1,3 9 .5 17 5,6 27 18 14 16 28 80 48 12 8.7 7.8 2.1 5.7 13 2.7 14 2.7 14 2.7 18 1.8 1 1.3 12 18 18 1 2.3 12 1 2.1 14 22 Z 4870 87 55 58 384 2751 114 1858 837 4 2228 2814 25 12 2541 25 17 200 4119 732 978 Xerox pi Xerox pi XTRA Yorkis n Zapeta Zayre s Zamest ZaniesE Zero. s Zumin 1 Zweig n. 7214 581, 261, 19 57, 457, 161, 225, 451, 102, 4870 5 384 114 837 292 557 15 3 25 11 25 15 10 0 Ph 551 211 22 25 17 2 25 Cp 1 .48 15.100 highs and lows reflect the week, but not the latest dividend amounting to 25 year's high-low range and it only. Unless otherwise C 语 1967年 1967年 1967年 1968年 196 CFS
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FINANCIAL TIMES ELFOPES BUSINESS NEWSPAPER



EXECUTIVE CARS WITH CHAUFFEURS IN PARIS

48 33 20 20

TELEX : 231 302 F

FOREIGN EXCHANGES

White House shows no concern as dollar falls

IF THE general level of forecasts for fourth quarter US Grost National Product growth proves correct the impact on the dollar is unlikely to be very great.

The preliminary GNP figure will be announced on Thursday. According to a survey conducted by Money Market Services, the median figure among forecasters is 2.8 per cent, unchanged from the third quarter. On the other hand MMB itself expects growth of only L8 per cent, which is more likely to have an influence on the foreign exchanges since it will provide another reason The preliminary GNP figure will be announced on Thursday. According to a survey conducted by Money Market Services, the median figure among forecasters is 28 per cent, unchanged from the third quarter. On the other hand MMS itself expects growth of only 18 per cent, which is more likely to have an influence on the foreign exchanges since it will provide another reason to sell the dollar.

-			
£	N	NEW	YORK

Jan 16	Close	Previous Close
£ Spot	1.5185-1.5195 0.63-0.61 pm 1.77-1.74 pm 6.25-6.15 pm	1.5065-1.5075 0.63-0.62 pm 1.79-1.76 pm 6.45-6.35 pm

OTEICHING INDEX								
		Jan. 16	Previous					
8.30	201	68.5	68.1					
9.00	ATT	68.4	68.2					
10.00		68.4	68.2					
11.00	am man	68.5	68.2					
Noon	000/441 1991000011	68.6	68.2					
1.00	per ,	68.7	68.2					
2.00	pred person	68.B	68.3					
3.00	pro maner	8.88	68.2					
4.00	PR11	0.69	68.3					

CURRENCY MOVEMENTS

991412191 111012							
January 16	Busk of England Index	Morgan Guaranty Changes %					
Sterling U.S. Dollar Canadian Dollar Austrian Schilling Belgian Franc Danish Krone Deststin Hark Swits Franc Gelfor Franc Lina Franc Lina Ven	69.0 105.1 77.0 139.0 100.4 93.4 168.0 177.2 135.5 71.8 48.4 210.6	-251 -29 -122 +116 -38 +3 +25 +225 +111 -127 -127 -127					

CURRENCY RATES

Jan. 16	redit %	Drawing Rights	Current
Sterling U.S. Doller Carredian 3 Austrian Sch. Belgian Frens Denist Krone Denist Krone Denist Krone French Franc Jepanese Yes Norway Krone Spanist Franc Greck Orach. Irish Past	559 4 87 32 4 87 32 1 20 1 20 1 20 1 20 1 20 1	N/A	0.7385 11122 15167 14509 42.780 7.8142 2.0626 2.3250 6.8932 1466.5 171.45 7.3174 141.63 0.7756

CS/SDR rate for Jan. 15: 1.71526

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

	Spel	nO	3 4	initis	12
US Delter D-mark French Fr. Suits Fr. You	138 138 139 139 139 139 139 139 139 139 139 139	15078 27792 93424 23250 23110	1.7904 1.7904 1.287 2.2960 229.70	1.402 1.7101 0.3913 2.2610 2.2510 2.2510	1/6 2/3 9/19 2/19 2/19 2/18 3/18

MONEY MARKETS

1979 and the trading low of around DM 1.70 hit in January 1980 will be within sight. It would be a brave dealer who believed the market would not see these as targets for early attack. A fall in US housing starts in November should be reversed in December. MMS forecasts a rise of 1.60m for Wednesday's figure. On Friday US personal income in December is exepected to rise 0.2 per cent, compared with 0.3 per cent in November, but these figures are unlikely to have any

to talk in terms of a dollarst the D-Mark of DM 1.80	in the figures	27e

EMS EUROPEAN CURRENCY UNIT RATES							
	. Equ central rates	Currency amounts against Eco January 16	% clunge from central rate	% change adjusted for divergence	Divergence limit %		
Belgian Franc	42,4582	42,7504	+0.76	+0.76	± 1.5344		
Danish Krone	7.85212	7.81420	-0.48	-0.48	± 1.6404		
German D-Mark	2.05853	2.06269	+0.20	+0.20	± 1.0961		
French Franc	6,90403	6.89324	-0.16	-0.36	± 1.3674		
Dutch Guilder	2.31943	2.32507	+0.24	+0.24	⇒ 1.5012		
Irish Punt	0.768411	0.775636	+0.94	+0.94	± 1.6684		
Italian I Ira	1493.58	1466.52	-1.15	-1.15	± 4.0752		

EXCH	NGE	CROS	S RA	TES		•				
Jac. 15	٤	\$	DM	YEN	F Fr.	S Fr.	H FL	Lite	C\$	B Fr.
s s	1 0.660	1.516 1	2.795 1.844	232.5 153.4	9.353 6.369	2,340 1,544	3.150 2.078.	1987. 1311.	2.0k9 1.365	58.05 38.29
OM YEN	0.358 4.301	0.542 6.520	1 12.02	83.18 1000.	3.346 40.23	0.837 10.06	1.127 13.55	710.9 8546.	0.740 8.899	20.77 249.7
F Fr. S Fr.	1.069 0.427	1.621	2.999 1.194	248.6 99.36	10. 3.997	2502 1	3.368 1.346	2125. 849.1	2,202 0,884	62.07 24.81
H FL Lies	0.317 0.503	0.481	0.887	73.81 117.0	2.969 4.707	0.743 1.178	1. 1.585	630.8 1000.	0.657 1.041	18.43 29.21
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C \$ 0.483 0.733 1351 1124 4520 1131 1522 9604 1. 2806 8 Fr. 1.725 2612 4815 4005 16.11 4.031 5.426 3423 3544 100.

URO-CURRENCY INTEREST RATES								
n. 16	Short	7 Days'	Çae Monik	Three Heaths	Six Months	Alma		
S. Dollar	11-114 5%-6 884 54-6 1-14 44-43 9-84 9-12 8-85 18-15 44-43 10-11	104-114 6-04 6-04 6-04 1-14 44-04 94-94 94-114 84-04 12/2-15/2 4/2-44 10/4-11/6 0-0-0-0	11-11-2 6-1-6-2 74-8-4 58-5-2 5-3-1 5-3-1 9-3-1 9-10-1 9-10-1 9-10-1 4-4-1 10-1 10-1 10-5	1013-11-1 6-64 7-6-65 5-5-74 9-7-1 10-6-6 11-1-1-1 10-6-6	103-105 645 74-54 54-54 103-11 72-74 64-11 103-11 103-11 103-11 103-11	10%-10% 6 & 6 & 6 & 6 & 6 & 6 & 6 & 6 & 6 & 6 &		

43-45 93-93 102-113-73-84 93-104 41-44 106-11 64-65

DUND	SPOT-	FORWARD	AGAINST	THE	POUND	
_						_

Jest 16	spread	Lione	Limit inquires	P.P.	months	p.a.
US	1,4975-1,5185	1.5145-1.5145	0.64-0.6le pm	4.95	1.80-1.75 pm	4.68
Carriedo	2,0477-2,0609	20395-20605	0.53-Q.46c pm	2.88	1.55-1.42 pm	2.86
Netherlands .	3111-31512	3,142,3,152		5.24	43 ₂ -4 pm	5.32
Belgium	57.12-38.01	50.00-50.10	7-per con	0.72	40-30 pm	2.41
Denmerk	10.474-10.604	10.594-10.604	1% to ore pm	1.56	2 ³ 6-31 200	0.64
Ireland	1.0395-1.0505	1,0475-1,0485	0.25-0.40 p dis	-3.72	0.60-0.90 ds	-286
W. Germany .	2764-280	2,79-2.80	14-1/2 of pm	6.98	45-45 pm	6.44
Portonal	212.52-214.26	213,25-214.25			239-336 645	-5.36
State	195.57-195.52	194.95-195.50	30-48 c da	-2.40	87-120 ds	-2.12
litaby	19674-19874	1986 - 1987	1-2 live dis	-0.97	Zpor-2 line dis	-0.00
Horsey	10.70 - 10.811-	10.002 10.012	3444 ore de	-4.44	125-145 ds	-5.00
France	9.224-9.36	9346-9.354	I to got	1.20	36-24 (20)	2.39
Sweden	9.881-9.971-	9.961-9.97%	11-4 ore pm		31-11 pa	0.93
Japan	2901-233	232-233	13-14 y pes		37-34 pm	6.56
Asserta	19.49-19.63	19.60-19.63	95-8 gro pre	5.31	264-234 pm	5.05
Contract and	0.001 0.041	0.001.044	14 12	548	41.41.4	794

DOLLAR	SPOT-FORWARD	ACAINST	THE	DOLLA

Jan. 16	Shade			% 2.E	Three	% pa.
UX1	1.4975-1.5185	1-5155-1-5165	0.64-0.61c pm		1.80-1.75 pm	4.68
irelandt	14315-14442	14430-14440	1.25-1.00c pm	9.40	3.40-2.80 pm	8.64
Carada	1.3612-1.3640	1.3625-1.3635	0.23-0.24c da	-2.07	0.63-0.66 @	-1.89
Nestre lands .	2.0715-2.0935	20775-20785	0.09-0.0tc pm		0.54-0.29 pm	0.60
Belglen	37.96-38.50	刘25-38.35	12.15: 🚓	-4.24	20-25 🚓	-2.36
Denounk	6.957-2-7.03%	6.987-6.994	1.55-2.45 ore dis	-3.43	6.50-7.40 dts	-3.97
W. Germany .	1.8360-1.8565	1.8435-1.8445	0.30-0.27pf pm	1.85	0.82-0.77 ps	1.72
Personal	1414-1424	1411-142	140-190c dis	-13.95	350-400 dis	-10.57
Souln	128.65-129.60	129.00-129.50	70-95 c da	-7.56		-6.65
100 y	1306-1320	13104-13114	5-612 live cite			-4.80
Horway	7.112-7.17	7.124-7.134	5.25-6.05are da	-9,48	17.30-16.10ds	-9.90
France	6.127-6.20	6164-6174	1.80-2.00: ds	-3.69	5.00-5.40 ds	-3.37
Streden	6.561-6.61	6.57-2-6.58	1.65-2.15 ore da	-3.45	5.85-6.65 db	-3.79
	153.05-154.25	153.35-153.45	0.30-0.27y pri	2.22	0.76-0.71 ms	
Accepts	12.90-13.05%	12.90-12.95	0,70pm-10grapm	0.37	1.75-0.25pm	0.51
Switzerland	1.5390-1.5600	1.5435-1.5445	0.37-0.34c pag		0.99-0.94 pm	2.49

† UK and Instant are quoted in US correctly. Forward previous and discusses apply to the US dollar and set, to the Instituted correctly, Beloise rate is for convertible fracts. Feancial frace 26:90-99.00.

3mpact.	ing the w
Last week's economic	in one da
announcements from Washington	Japan b
were largely ignored, as the mar-	ment wit
ket paid more attention to state-	dollar ste
ments from various officials in	the mark
Washington, Bonn and Tokyo.	has other
Even very large intevention by	Figures
the Bank of Japan was shrugged	showed J
off, as dealers looked for official	surplus w
constion of its wise that the dellar	YE AL

br. Jan 560 1.60 660 6.60 7.30 1.00 3.90 2.07 2.16 1.30 1.00 1.62,591 Pets 3,253— Pets

LAFET LONG CALT FATTURES OFFICIALS.

LONDON

Close 115-18 115-25 116-04 115-24

105-22 115-22

Cone High Law
Harch 99.34 99.26
June 99.71 99.71 99.77
Sept. 99.26 59.84 99.79
Dec. 89.78 97.78 99.79
June 99.36 99.80 -Lent 99.36 99.30 -Estimated Volume 4,218 (3,147)
Previous day's onto list. 14,457 (14,579)

Chest High Low 100-10 109-22 100-08 99-16 ne 3,917 (3,919) Preside day's open int. 4,363 (4,049) CURRENCY FUTURES POUND-S (FOREIGN EXCHANGE) Spot 1-mth. 3-mth. 6-mth. 12-mth. 1-5166 1-5096 1-4963 1-4623 1-4628

Close High Law Prev 15080 15105 14940 14925 14910 14990 14775 14725 14740 14770 14790 14885

IN-STERLING & per &

LIFFE-STEILING £25,000 \$ per &

while sterling's performance also discouraged any major interest rate movements.

From 19,000 19,0

the Bank of Japan, said the cen-tral bank would intervene decisively to stabilise foreign exchange rates, as the authorities in Tokyo bought about \$5bz dur-

in one day.

Japan believes it has an agreement with the US to keep the ideals steady against the yen, but the market suspects Washington has other ideas.

Figures released on Friday showed Japan had a record trade surplus with the US in 1988.

If the dollar does not decline against the yen it will also cause strains as the US currency fails against the D-Mark.

against the US currency falls against the D-Mark. A US newspaper report that the Reagan Administration would like to see a further weakening of the dellar confirmed the market

0.46 1.42 3.37 6.45 10.45

Feb. 040 008 0.19 0.85 2.56 5.60 9.72

talk the dollar down "did nothing to alter this.

Mr Paul Voicker, chairman of the US Federeal Reserve, and Mr Gerhard Stoltenberg, West German Finance Minister, appeared to agree the dollar has fallen far enough.

But unless the US authorities are prepared to join in co-ordinated infervention dealers will continue to believe the White House wishes to see a controlled dollar slide, in an attempt to cut back the trade deficit.

144 Sept. 042 043 043 043 019 104 0.83 0.61 0.42 0.26 0.15 0.07 1.54 1.29 1.04 0.79 0.55 0.33 0.16 0.05

Pets-Feb. — 6.40 1.30 8.05 3.00 0.05 0.20 0.70 2.05 5.10 3.00 7.80 2.60 3.196 020 0.45 1.15 2.20 4.65 7.65 11.65 Strike Colle-Last
Price line: June
90 30.20 9.49
92 8.20 8.00
94 6.22 6.24
95 4.30 4.59
98 2.51. 3.43
300 1.38 2.41
102 0.44 1.54
304 0.16 1.15
304 0.16 1.15
304 0.16 1.15
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304 0.16 1.15
304 0.16 1.15 0.17 0.32 0.56 1.27 2.11 3.09 4.22 5.47 -Last Puls-Last
June Mor. June
15-51 8.00 0.00
13-58 0.00 0.05
13-58 0.00 0.05
13-58 0.00 0.05
10-57 0.00 0.15
5.07 0.02 0.29
5.07 0.22 1.21
3.35 0.55 2.25
3.35 0.56 2.25
a.6, Calls 23,447 Puls 8,440
int. Calls 14,447 Puls 8,440 645. 0.00 0.00 0.00 0.16 0.31 1.13 2.24 1.51 1.62 1.62 1.62 1.62 CHECAGO Pres. 100-06 99-08 99-11 97-15 96-19 95-24 94-29 94-29 High 0.5452 0.5472 0.5494

Close 1895 Law Prev. 180.55 182.50 180.50 180.10 183.55 — 183.10

Financial Times Monday January 19 1987

1	EQL	HT	ES								_	_
I	have.	Paki	Latest Commit	198	UE7	Stack	Clasing Price	+ pr	Net. Dis.	Towns Cov'd	Green Yield	
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Ī	4 1	F.P.	30/1	67	65	Benson (SGB)	67 28	+2	LO.5	32	25	17
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, 1	465	F.P.	871	72	63	&Can & Reg Prop 10p	70	-2	12,67			14
Н	894	F.P.	j 61	211	107	4Gaynor Group 10p	107 117	I-3 I	12.77	27	33	
П	995	F.P.	19/1	119	105	Halls Homes&Gdes Sp . Harmony Leisure Sp	26		107	124	0.5	20
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d	6128	F.F.	3001	160	146	Hostons Group 5p	160	+4	41.6	5.6	14	17.
	6150	1	200	170	155	Johnson Fry 109	156	-2	13.72	37	돮	13
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: 1	£144	F.P.	23/1	151	14412	MIL Research 50	151		132			ü
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	150	75 .	_	78	75 50	Do. Capical 50p	52	1+2		l i	_	۱-
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:	£152	160	20/1	158	125	Naba Grow 10p	155		H.75		43	11
- 1	170		1912		193	+Spandex 10p	246		0.9.0	2.7		30.
Н	6255	F.F.	9/1	143	138	Smal 51	138		13.5		3.6	5
	70		65		96	STSR Channel Islands	110		R3.92	3.7	43	7/

FIXED INTEREST STOCKS

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Wide variations in PSBR forecasts

TODAY'S UK Public Sector Borrow-ing Requirement figure for Decem-ber has produced some fairly wide forecasts. Stockbroker James Capel forecasts. Stockbroker James Capel expects a PSBR of £200m, in spite of the benefit of about £1.5bn from the sale of shares in British Gas. On the other hand County NatWest forecasts a surplus of £580m, and a Money Market Services survey of forecasters produced a median figure of a £250m surplus.

UK clearing bank hase lending rate 11 per cent since October 15

Forecasts for tomorrow's money supply and bank lending figures have come up with a median rise of 1 per cent for sterling M3 and of £2.5m for lending in the December banking month. James Capel

FT LONDON INTERBANK FOUND	G .	
C11.00 a.m. Jan. 161 3 months U.S. dollars	& months U	.S. dollars
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The banks are National We Paris and Morgan Gazrant	The banks are National Westminster Bank, Bank of Yolyo, Deutsche Bank, Banque Nationale de Paris and Morgan Garranty Trust.								
BANK OF ENGLA	ND TR	EASU	RY BILL TENDER						
	Jan 16	Jan 9		Jan 16	Jan 9				
Slib on offer	£314m £100m	£267m £100m	Top accepted rate of discount	10.5122%	10.5489% 10.5327% 10.82% £100m				

91-day bills: 92-day bills £97.345

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expects 163 and the more narrowly defined 160 money supply to have risen 125 per cent and lending to be up by £2ha. County NatWest Ibrocasts 163 up by 0.5 per cent and Mn by I per cent, with bank lending rising by £1.6ba.

Loudon money market rates showed little change last week Bad weather meant that many dealing rooms operated on reduced staff levels. This kept the market quiet, the pound established fitself above \$1.50 against the dollar, at its best level since last July, but touched further record lows against the D-Mark. The main hope for a cut in bank base rates in the foreseable future is that the Bunderbank will cut West German rates after next weekend's Federal elections.

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FINANCIAL TIMES SURVEY

Regional Development

R EGIONAL IMBALANCE has long been a social and economic which various governments have tried to correct for more than 50 years, with degrees enthusiasm.

The disparity between the more and less prosperous regions today, measured in terms of the percentage of the workforce which is unemployed, is, however, greater than at any time since the period between the wars. Furthermore, the gap between the North and the South, as measured in gross domestic product per head, has widened significantly since the mid-1970s.

for Scotland which just about held its own.

This, then, is the scale of the problem confronting the present Government in the run-up to an

On the basis of the present array of policies, split between whitehall departments strugwhitehand departments string-gling for supremacy, the best improvement that Conservative MPs in sensitive constituencies can hope for before the election is called is a tiny narrow-ing of the gap. More likely, there will be none.

The present regional policy has its roots in a White Paper presented by Mr Norman Tebbit, then Trade and Industry Secretary, in December 1983. The aim of the new policy was that it should be more effective and at the same time achieve better value for money.
This was to be done by targetting regional development grants more precisely at job

ıd

Implementation of the new policy, late the following year, was accompanied by the re-drawing of the assisted areas map and, for the first time, a limit was set on the cost-per-

The debate over Britain's regional development is being looked at include variable rates of national insurance pay-ments as practised in Italy. No decisions have been made intensifying in the run up to an election. The disparity between the North and relatively prosperous South yet, however, on the future of meanwhile appears greater than ever.

The gap widens

between the North and the South, as measured in gross domestic product per head, has widened significantly since the mid-1970s.

Official figures show that between 1974 and 1983, only three regions—the South East, East Anglia and the South West, —increased GDP as a percentage of the UK average; the rest registered a decrease, except for Scotland which just about In the current financial year,

In the current financial year however, an overshoot of the regional budget has been signalled in recent Parliament signalled in recent Parliamentary answers. To the end of November, £415m had been paid out under old and new style grants and selective assistance, and an extra £20m allocated to the budget for 1986-87. Officials say that it is too soon to judge if the new policy is a success. It is more campler to administer and for potential "customers" to understand, which gave rise to fears that there would be a lot of criticism. On the whole, this has not materialised, although evidence materialised, although evide from a recent survey, carried out for the DTI, shows that smaller companies have some difficulties in presenting their

case for assistance. In the wider context, government regional policy has clearly failed. Its aim, as stated in the Government's recent submission to the European Regional Devel-opment Fund, is "to reduce regional disparities in employment opportunities on a stable

But "recent experience has shown that changes in the for-

four more in Trafford Park, Greater Manchester; the Black Country, Tyne and Wear; and Teesside. The Welsh Office has have a more profound effect on the regions than can be achieved by regional policy, even with by regional policy, even with the assistance of the Fund." The recently-published Employment Census, shows just how much the traditional industrial areas have suffered from industrial restructuring. On a smaller financial and geographical scale, there are the Government's various programmes for the inner cities,

Economic drift

Regional aid is only one part regional aid is only one part of government policy to stimulate activity in the regions. Some would argue that it is the least important, although it is hard to say whether this is because there is a suspicion that this Government does not really believe in it as an instrument of policy or because aid is al-ways going to be ineffective in the face of the economic drift to the south of England.

Creation of urban developtreation of irrun development corporations in areas of the country blighted by the contraction of manufacturing industry and run-down of tradi-tional activities is arguably a more significant development of this Government's policy.

Starting with London Docklands and the Merseyside Development Corporation, these are an attempt to attract private sector investment—with the aid of Government pumppriming—over the heads of local authorities.

Stimulated by the success in Docklands, where private investment is running at five times that of the public sector,

urban development corporations under a Labour administration, or whether development agen-cies in England, similar to those in Scotland and Wales, would

also announced that it is setting up an Urban Develop-ment Corporation to cover the Cardiff Bay area.

also aimed at promoting private and public sector partnerships.

authorities have refused to co-operate with such schemes,

hostility, to the urban develop-

ment corporation policy concept In the Midlands, for instance, they have argued that it is unnecessary when they have an enterprise board covering the West Midlands.

West Midlands.

Some Labour-controlled local

be appropriate.

The SDP/Liberal Alliance, like Labour, believes that regional policy can only succeed if it is allied to a much more positive industrial strategy than practised by the Conservatives, and a national policy of economic expansion.

It rejects the theory that regional policies and aid have not worked, and particularly the view that they led to inefficient location for many companies. The need now, says the Alliance, is to make sure that the more peripheral regions, including Scotland, Wales, the North East, share in the growth industries and innovation in existing industries.

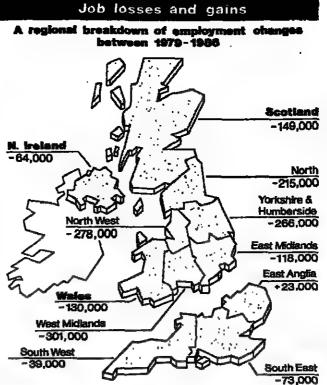
The Aliance, reflecting tradi-tional Liberal policy, propose more power being devolved to the regions, and setting up regional development agencies by England while others have given only grudging support. Most show little enthusiasm, if not outright m England.

Present Government policy is against such agencies. Although pleased with the success of the Scottish Development Agency, in particular—Wales is catching up—it rejects officially the need for similar bodies elsewhere, derities agreement. for similar bodies elsewhere, despite support from many quarters of private industry. This is not to rule out the possibility of such agencies being proposed if the pressures of regional inequality threaten election prospects.

For the present, it wants to see more examples of cooperative promotional effort between local authorities, government regional offices.

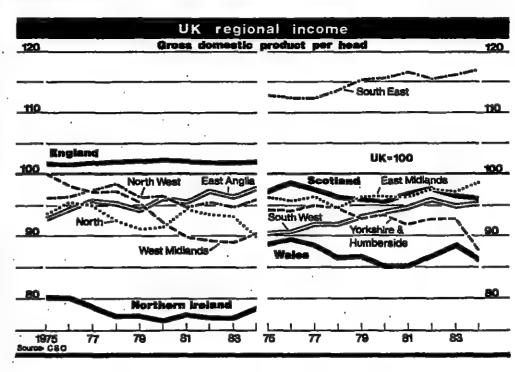
Labour Party policy towards the regions is in the process of being drawn up. A key element will be that local authorities should be given a positive role to stimulate aconomic activity in their areas. The statutory limitation on the amount of rate income which can be spent on such activity would be removed. such activity would be removed. They would be encouraged to provide industrial sites, particu-larly for small businesses. government regional offices, politicians, along the lines of the Northern Development A Labour government would Company which is being funded, on a small scale, by set up regional arms of its pro-posed National Investment Bank and British Enterprise—to be used to stimulate investment in high technology research and the private sector, and resources of the North and the North of

CONTINUED ON PAGE 2



IN THIS SURVEY Assistance for industrial companies: the growing range of blueprint for 25,000 Scotland and Wales: grants to lure new industries 4 Enterprise agencies: direct but vital role English Estates: scope for Venture capital backing: conthe North East Science and technology parks: big increase in new tenants 7 The larger cities: growth in the service industries 8 Case study in regional selective assistance 9

Impact of the Eurotumel



know the answers.

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Wales has 36 biotechnology companies. Why? In 1986, the rate of production start-ups in Wales. pro rata, was more than double the UK figure. How? Why is Wales so attractive to hi-technology

companies? Why do nearly 90% of foreign firms in Wales describe the Welsh environment as 'conducive to further expansion?

According to the CBI, Welsh businessmen have consistently been more optimistic than their English counterparts over the last 2 years. Why?

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want to know about Wales

nd to: Welsh Development Agency, PO Box 100, Greyfriars Road, Cardiff CF1 1WF

An example of success in urban renewal: the Swansea Marina redevelopment area

The gap widens

CONTINUED FROM PAGE !

England Development Council, but has no statutory standing. but has no statutory standing.
Even supporters of development agencies for England are
doubtful of their tikely success
without political support in the
Cabinet, such as is provided by
the Scottish and Welsh Secretaries. Northern Ireland, with
its Development Board, can also offer potential investors the advantages of sometimes substantial financial assistance and guidance from its officials. Regional policy inevitably sads to rivalry between areas of the country anxious to attract mobile investment projects, such as Nissan. There are, however, very few such projects sround. Some argue that development agencies, urban development agencies, enterprise agencies. sones, enterprise agencies, and the panoply of funds do no more than accentuate that

Frequently, companies setting up or expanding in one area to

Employment trends by regions For the period 1979 to 1986

		Employees in employ- ment; menufac- turing jobe, % change	labour force; (ln- cludes self-em- ployed), % change
	South East	-25	+ 3
	East Anglia		+13
	South West		+ 5
	West Midlands .	-29	- 7
ŀ	East Midlands	18	_
	Yorkshire and		
	Humberside	-35	- 6-
	North West	35	-13
	North	-34	-10
•	Wales	-26	-13
•	Scotland	-38	- 8
	Northern Ireiand	-33	7.8.

take advantage of financial inducements simply create jobs in one area at the expense of

those jobs being lost in another.

The key to job creation, in the view of this Government, is self-employment and establishment of small companies. Traditionally, this sort of employment has not flourished in the north, Scotland, Wales, Northern

Enterprise, however, can be learned, and considerable efforts are being made to this end in the regions by public and private sector bodies. Venture capital is increasingly marketed in the regions, and support made available in technical areas.

nical areas.

The problem is that new jobs via this route replace so few of those lost as a result of the massive restructuring of British industry, most of which has fallen on certain parts of the country. Like other policy lines being pursued by ministers concerned about the regional gap—such as the Chancellor's call for more regional differentiation in pay—they are essentially longer term than is good for the present state of the country. present state of the country.

Regional population trends

				Po	pulation				
				ine	ulation rease 84 (%)	pepa	ected* sistion (000s)		pula- 1984
	Popul	stion 198	4 (600s).		Persons aged 75		Persons		Over pen- sion
	Total	Males	Female	Total	or over		OS OACE		
North	3,693.1	1.506.2	1.586.9	-1.2	12.0	2,951	213	6.2	17.6
Yorks, and Humberside	4.904.3	2,390.7	2.518.6	-0.3	13.1	4,902	343	6.3	18.0
East Midiands	3.874.3	1.906.1	1,968.2	1.8	15.5	4.161	284	6.3	17.3
Kast Anglia	1,939.6	953,3	986.3	4.1	19.5	2,114	169	6.2 .	18.9
	17,112.4	8,319,8	8,792.6	0.9	13.7	17,858	1,359	6.3	18.0
outh West	4.461.2	2.154.9	2,306.3	2.9	16.0	4,817	418	5.8	20.9
West Midlands	5.176.0	2,552.4	2,623,6	-0.1	15.3	5.212	355	6.5	16.6
North West	6.395.5	8.099.8	3.295.7	1.6	11.4	6,268	421	4.5	17.8
England	46.956.4	23,882,2	24,073.2	9.6	14.0	6,268 48,731	2,458	6.3	18.0
Wales	2.807.2	1.361.0	1.446.2	-0.1	14.3	2,845	221	6.3	18.9
lcotland	5,145.7	2,483.5	2,662.2	-8.4	14.8	4,985	328	6.4	17.1
Vorthern Ireland	1,578.5	772.5	806.0	1.7	10.9	1,694	89	8.5	14.8
JK	56,437.8	27,500.2	28,987.5	0.5	14.0	57,746	4,093	6.4	17.9
* Based on 1983 popu	ulation e	etimates.	† Men	aged 65 c	er over s	nd wome	n aged 6		TOT.

ource: Central Statistical Office

Grants and assistance for companies

Ever-growing range of schemes

ALTHOUGH THE main thrust of industrial assistance in Britain is concentrated on the development and intermediate areas, a large number of schemes are available for com-panies within the whole of the UK. Such schemes may not be as all-embracing as regional development assistance but any particular one can make a sig-nificant difference for an individual company.

In the field of research and development, for instance, the Government is endeavouring to encourage all areas through special schemes. Some give access to expert technical knowledge while others offer grants towards the cost of equipment.

One scheme involves support for innovation, which is available across the broad spectrum of industry. To qualify, a company must have the capability—managerial, financial, commercial—to carry out a project and it has to prove that help is essential for the scheme to go ahead.

The Government has considerably tightened the rules since 1994 and will now only help proposals that would not have gone ahead without its assistance. To undertake a scheme and then seek help almost inevitably nowadays almost inevitably nowadays debars the company from offi-

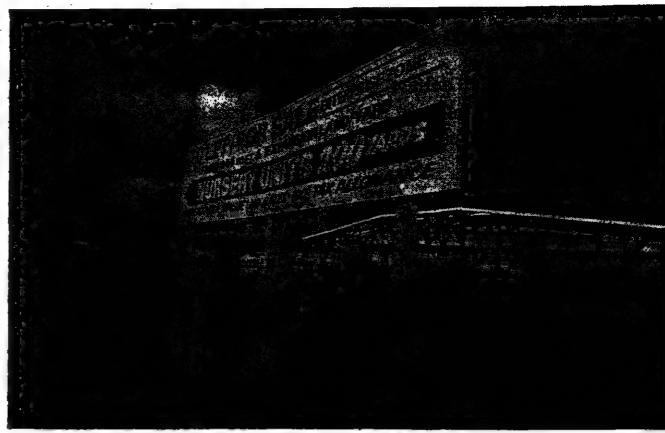
Another R and D schem covers computer-aided design and computer-aided manufacturing Cadcam. The computer clearly has vast potential for increasing productivity and competitiveness. The Government wants to see greater use of computers and computeraided design and so offers help, In particular, it wants to ensure that as many companies as possible know about Cadcam and to ensure these concerns can evaluate the processes for themselves. There is therefore support for consultancy studies to encourage a company to see whether Cadcam is a feasibility

for itself.

Normally, such government support is on a selective basis and limited to one assignment and covers only part of the cost. There has to be official acceptance of the consultant, though a list of acceptable consultants is available from the DTI.

In addition, there are "awareness" seminars run by the DTI for managers, practical experience courses and, in some cases, concerns which have used Cadcam are willing to invite in potential users to show how they have successfully introduced schemes.

The essential point about



Trafford Park Enterprise Zone, Manchester, with Salford Docks in the background. There are hopes that the new Urban Development Corporation will be a blueprint for 25,000 more jobs in the area

UK assisted areas

taken, officials go to great lengths to ensure that, if a company ready needs further assistance, it will be forth-coming. The department will not officially admit to any bend-ing of the rules, because by law it is precinded from doing so. The rules are, however, aways operated with consideration towards the company. The Government wants companies to succeed and it

Other areas of technological advance which are supported lacinds dire-optics, microelectronics, industrial robots, and software products. Companies can, for instance, employ independent consultants to carry out studies to establish whether robots can make a commercial contribution to their productive processes. Up to half the cost of a certain number of days' work is covered, though there is a limit on the amount that may be

these schemes is that they are handled with great fexibility. Although the small print says, for instance, that only one consultancy scheme may be under-Help is also available, though, for the stimulation of new applications and for developing a sector "infrastructure," a

Another important area of assistance is energy conserva-tion. Some industries, such as jobs, and sometimes even plants, have been saved. The object is to lower unit costs and thus there are a large number of schemes operated by the Department of Energy.

Again, consultancy projects are important. The industrial heat recovery consultancy scheme is intended to help high energy users, in particular, through consultants looking at how to intal heat-recovery

ment has an increasing number of schemes involving employ-ment and training. The Government and training. The Govern-ment has in the past few years brought in a large variety of projects from jub-splitting to encouraging the employment of

ing workers and youth train- ment ministers accompany outschemes for the handicapped and disabled and some com-

with considerable enthusiasm.

Grants have been available, for instance, to enable employers to adapt or modify premises or equipment where it is necessary to enable them to recruit or retain disabled men and women. There is also a network of rehabilitation centres which provide courses of assessment and work rehabilitation for people who are not only handicapped but who have been ill or injured and need retraining.

A particularly wide field of

A particularly wide field of assistance is available to companies engaged in selling abroad. The British Overseas Trade Board provides help to groups of exporters through outward missions. The intention is not just to help sell goods abroad but also to evaluate whether a particular market

fairs with space and a shell stand provided at what the government describes as "attrac-tive" rates. Sometimes, govern-

ward missions, thereby giving those involved the invaluable exire promotional push that comes from having a leading

Development

M Intermediate

Yorkshire &

The BOTB advises the govern-The BOTB advises the government on strategy for overseas trade but on a micro level it also provides overseas market information for companies, offers export promotion publicity and, sometimes, financial help. Booklets on hints for operating in individual marketa are prepared and a marketa intelligence library provides an invaluable databank on most markets in the world.

Much of the thrust of the Government's programme of assistance goes towards manu-facturing industry but neither the service sector nor agricul-ture is overlooked.

Each of the English regions, together with Scotland, Wales and Northern Ireland, has its tourist board, which draws tip its own strategy plan and schemes of assistance to complement anything provided nationally. The board also act as agents for the European Investment Bank's loan facilities.

In agriculture there is a very wide range of grants and assistance on offer, not only to "pure" agriculture but also to horticulture, forestry and fishing. This support is hardly surprising considering the EEC's common agricultural policy accounts for over 80 per cent of the community's budget. of the community's budget. There are, in addition, specific schemes intended to help British farm exports and individual sectors such as hill farmers, as well as training

Such an outline as this touches only the fringe of what is available, intending applicants should always what is available. Intending applicants should always approach, in the first instance, the government department which deals with their particular industry. Despite criticism that is sometimes made about the speed of payment of grants, officials are invariably helpful with advice welcome approaches.

Publications

A number of publications are also available to guide the unwary or the inquisitive through the maze of assistance that is on offer. The most companion in the number of the contraction that is on offer. The most com-prehensive is the annual review of Industrial Aids in the UK, produced by Professor Kevin Allen at the University of Strathelyde in Glasgow. This guide costs £11.95 and runs to almost 650 pages, which gives some idea of the number of schemes on the market. Another excellent guide (pro-duced by National Westminster

duced by National Westminster Bank) is entitled Official Sources of Finance and Aid for Industry in the UK. It costs £5.50. in the UK. It costs £5.50.

Local government should not be ignored when requesting information. Most councils have schemes applicable for their individual areas and while any business should know who to approach locally, a comprehensive list of local authorities in the UK, including phone numbers and names of many of the relevant officers is published in the Business Location Handbook 1986-87, published by Beacon Publishing of Weifingborough, Northants, The gaids costs £15.

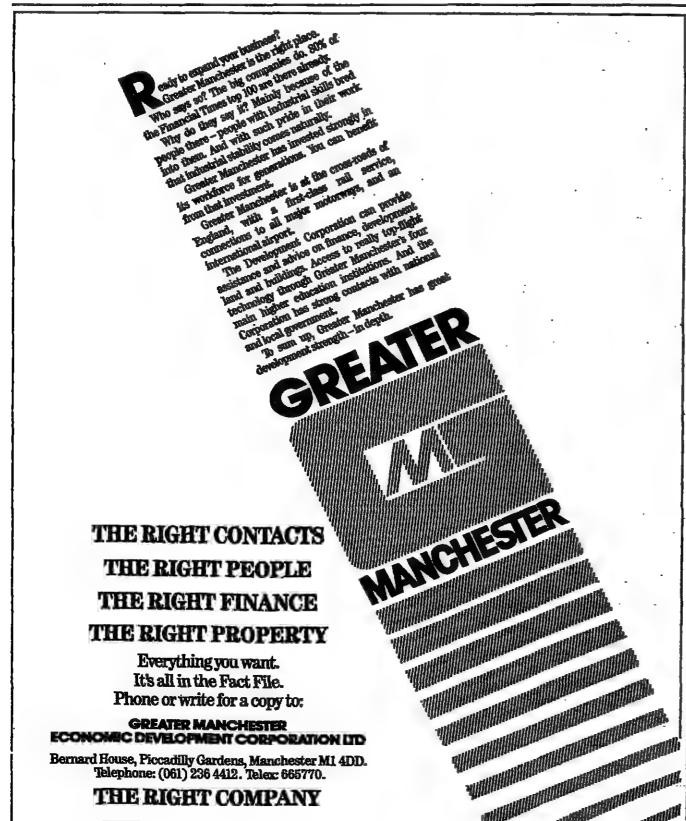
costs £15.

Armed with these and similar publications which most good liberies already stock, no business should feel excluded from sources of information and (possibly even) spanes

Anthony Moreton

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January 3.



Fig. 1. The Welsh Development Agency Fig. 2. The Scotlish Development Agency Fig.3, English Estates The Developing Agency

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we've had fifty years experience in the field.

But our service

In that time, we've planted over 38 million sq.ft. of property in our plot, at more than 500 locations throughout the country.

As a Government agency we stimulate economic activity and help create jobs in areas where private developers don't wish to venture.

At present, 136,000 people are working in our properties in these areas.

In fact last year alone, over 1,600 businesses moved in with us.

Which we feel is a sure sign of our success.

We offer a wider range of properties than anyone else in England. And we can custom build premises; each individually designed to meet specific needs.

But our service doesn't end when the building does. We ensure that our estates are carefully tended to maintain an environment in which businesses can bloom.

And because we have sixteen offices up and down the country, we are always on hand to offer help and advice.

ENGLISH ESTATES
The Developing Agency

For example we can put companies in touch with the relevant national and local assisting agencies. And advise them where they can go for details of grants and other forms of financial aid they may be entitled to.

In certain areas, we can even provide a specialist business adviser to get to the root of any problems that may crop up.

As you have probably realised by now, we do everything we can to help the businesses in our care to flourish and grow.

And that's what has made us an important part of England's business success.

So while the other two agencies have been working in their parts of Britain, we've been carefully tending a fairly large plot of our own.

Blueprint for new jobs

Government expects of its canal, and the demolition of the ship Government expects of its newly-designated Urban Development Corporations (UDCs) was revealed by Mr John Patten, the Environment Minister, when he visited Trafford park for the past few years. Railways have become overgrown; dispersion of public expectation of public expectation of the ship china designation of the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become overgrown; discovered the churches are still active—have all been part of Trafford Park's struggle have become a construction of the churches are still active—have all been park of Trafford Park's struggle have become a construction of the churches are still active—have all been park of Trafford Park's struggle have become a construction of the churches are still active and the ch

focuses for investment and borough council hoped that the growth that will generate new UDC boundaries would encomise and wealth at a strategic pass the park alone, so that the growth," he says.

"This is a critical part of our attack on the north-south problem," he said. "We face enormous pressures on space in the south. We want to make the me south. We want to make the morth as attractive as we pos-sibly can. The UDCs can pro-selytize in the south about the real attractions of the north for industrial investment and as a place to live."

place to live."

The urgency with which the Government is pushing the UDCs is tikustrated by Trafford Park's impending start-up date of April 1. Mr Nicholas Ridley, the Environment Secretary, convinced by the successes of the London Docklends and Merseyside Development Comporations, plumped for UDCs as a major instrument of regional policy soon after taking office last

This deads Mr Patten to exclaim: "Eight months from con-ception to birth—this may well be a world record for govern-

In Trafford Park's case, how-ever, the Government was belped by a strategic plan drawn up for Trafford Borough Council and the eight largest industrial users of the park— GEC, Carborundum, Kelloggs, GKN, ECI, Procter and Gamble, CPC and CEBA-Geigy.

The Park—a vast 2,000-acre industrial zone—was first developed at the turn of the century to exploit the new communica-tion channel with the Atlantic provided by the Manchester Ship Canal.

The park is cheek-by-jowl with the now-disused Man-chester Docks and for 70 years it exploited the canal successfully. Between the world wars its reputation was that of "the most modern industrial estate in Europe" and even as late as 1965, 52,000 people worked

In its way, it was a forerunner of a modern UDC: a single estate owner controlled rents and profit financed the and amenities. There was a high-quality environment with parkiand, a posting lake and a golf course, and in the middle to-back terraced houses, shops,

He hopes that £160m of public investment over the next five or six years will lever at least £500m of private sector money. The profile newcomers such as the Daily Telegraph, but development and the new UDCs on Tyneside, on Teesside and in the Black Country will be vital contributors to easing the North-South divide, providing focuses for investment and factories and land are eyesores. Designation as an enterprise zone helped to attract high-profile newcomers such as the Daily Telegraph, but development has been patchwork and has a haphazard look about it, although there are still nearly 25,000 jobs within its boundaries. The UDC is expected to pull everything together. It will also have a wider remit than Trafford Park alone. The borough council hoped that the

an attractive environment for investment.

So, despite Trafford Council's determination to enter into what Mr Ridley regards as the spirit of things, it was not allowed to keep planning control. The issue was put beyond doubt anyway by a decision to widen the UDC boundaries to take in the opposite bank of the ship canal — which is in Salford — and to designate the UDC's strategy. Its role will be to attack the patchwork of Irlam, seven miles away, as

disused steelworks and town of Irlam, seven miles away, as UDC territory, too.

Mr Patten, whose ministerial responsibilities include housing, sees house-building as crucial to Irlam's canalside development anyway.

"Housing is an engine for growth," he says. "It helps

Urban Development Corporations



case for the council losing plan-ning control to the new body would be diminished.

move people into an area, giv-ing it life, as well as improving the area's image." would be diminished.

Mr Ridley, however, was determined that the UDC should be a planning authority in its own right. He believes that the record of the London function. Docklands and Merseyside UDCs speaks for itself on this.

In London there is still local groups about the UDC's policy, particularly on housing, which is seen as too up-market and dom from the planning concent of reach of local pockets.

But the other side of the argument is whether a "socially balanced" mixture of housing probably its single most immorable.

There has been a concer on planning — Trafford and Salford are likely to end up as agents for the UDC, administering and servicing the planning function. The UDC's role will thus be policymaking and strategic.

There, nothing happened for years in the derelict docklands as councils bickered among themselves or came up with prendices, unrealisable schemes because of local authority grandices, unrealisable schemes because of local authority to UDC would probably have had to set up a parallel bureaucracy to Trafford's, just to administer the planning function for 562 businesses already in Traford Park

school and three churches.

Balanced "mixture of lousing probably its single most import—

as defined by Labour council—ant advantage over virtually

an attractive environment for to assemble and prepare land

disused petrochemical tank and docks to stage the 1984 International Garden Festival.

In the black country, land assembly will be the key to the UDC's strategy. Its role will be to attack the patchwork of dereliction spread across four local authorities by the collapse of the area's traditional metal bashing industries in the recession.

A report on how to proceed is expected in the spring, with them new UDC likely to start up in the autumn, but the problems are formidable. There are at least 7,000 derelict acres, spread across numerous sites, where busy factories once

In many cases the land itself is either toxic or has a concrete substructure several feet thick.
Much of it is still owned by
the companies which closed the
factories that stood on it.
This may itself be a problem

This may itself be a problem in instances where the land is in the broks " at values well above its present worth and the UDC may face some difficult pricing decisions when buying it in—especially because of the likely costs of bringing it up to developable standard.

developable standard.

The other two new English UDCs will counter the dereliction and rocketing unemployment caused on Teesside. By closures in the chemical and steel industries, together with shipbuilding, the last of which has prompted the need for urgent action on Tyneside.

On Tyneside, in particular, there has been local resemment that the resources are not going directly to local authorities to do the job themselves but Mr Ridley is determined to keep the UDCs as a direct channel for government funds which he can control much more fully and control authorities, the cast of the cast, on the cast, on the Ridley is determined to keep the UDCs as a direct channel for government funds which he can control much more fully similar factory.

Assistance for SCO

Cardiff and Glasgow, the heart of industrial South should be to the Welsh or Scottish Development Agencies, sets for the European market, a few miles to the east, on the northern edge of Cardiff, Scottish Development Agencies, sets for the east, on the scottish development Agencies, the few miles to the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the scottish development Agencies, sets for the east, on the can control much more fully than using a local council as an intermediary.

The London and Merseyside

the Government believes is a workable and replicable pattern. A UDC's boundary is defined by the problem it is trying to solve, not by the borders of local sufforties, which are largely arbitrary in these circumstances.

tions rather than green fields. The decision to wind up and sell off the new town corporations ends one ers. The new

Ian Hamilton Fazev



Modern shopping mall development in Cardiff, showing a large Boots complex with a sheps-within-shops concept. Boots now has a thousand stores in Britain

Assistance for Scotland and Wales

Grants lure newcomers

Japanese immigrant, has a factory - building programme similar factory.

North of the border, similar trial estates corporations. The concerns have come from the agencies provide investment new world and the Far East. funds, factories and business. Silicon Glen has been populated by companies such as IBM, Wang and Hewlett-

defined by the problem it is trying to solve, not by the been attracted to Wales and borders of local authorities, which are largely arbitrary in these circumstances.

TDCs save the problem from falling between saveral stools and are clearly effective at ediminating a blight on development. They can attract private investment in sufficient quantities to achieve a uritical mass to pull in yet more. Thus, they create nuclei for future growth.

They are what the new town development corporations are, but in the centres of conurbe.

Packard.

Most of the newcomers have been attracted to Wales and Scotiand by the grants and offers assistance available. Few Japanese manufacturing comcerns. Usually, neither agency puts up more than 30 per cent of the equity needed and negotiates a bay-back clause so that its stake may be disposed (usually to the remaining ahareholders) after the possible areas were all in places that offered the maximum tregional development grants.

Host of the newcomers have form of equity funds and lean to each the one of individual concerns. Usually, neither agency puts up more than 30 per cent of the equity needed and negotiates a bay-back clause so that its stake may be motor plant, which eventually to the remaining ahareholders) after method by the work of Mid-Market and the maximum tregional development grants.

Host of the newcomers have and the form of equity funds and leans can be provided tailor-made to meet the needs of individual concerns. Usually, neither agency puts up more than 30 per cent of the equity needed areas when choosing a britany in the provided tailor-made to meet the needs of individual concerns. Usually, neither agency puts up more than 30 per cent of the equity needed areas when choosing a bay-back clause so that its stake may be disposed (usually to the remaining ahareholders) after the needs of individual concerns.

of Wales is designated as assisted areas, though since the review of Government regional level of regional develop grants has been cut back. Within the development areas, which comprises parts of in-dustrial south Wales, a large part of Clwyd in North East Wales, Clydeside and Tayside in Scotland, the Government offers automatic grants worth 15 per cent of new capital building costs and another 15 per cent towards new plant and

machinery.
These grants are not subject These grants are not surject in company taxation. But in order to qualify for them, the company has to prove to the Government it would not have gone ahead with the project had the finance not been available. Before 1984 it was sufficient to show that the project had been undertaken; this is no longer sufficient. Under the feet the finance of the state o had been undertaken; this is no longer sufficient. Under the "additionality" rules, introduced by the 1984 ruview, a company has to prove that without help it would not go ahead with a project.

Selective aid

The second tier of regional The second tier of regional aid, intermediate areas, does not quality for automatic grants. But it is possible for concerns within these areas to put forward a case for receiving selective assistance. In this case, it is a matter of company officials and government servants sitting down and working out how a company can best out how a company can best be helped.

The importance of assisted areas is not just the automatic and selective assistance that is available so much as that they also qualify for European Com-munity aid. Companies out-side the assisted areas have a much more difficult task in attracting help from Brussels. Direct government schemes are only the tip of the assis-tance iceberg and a company thinking of locating in either Wales or Scotland should take wales or septima another take advice from the Welsh or Scot-tish Offices or from the Depart-ment of Trade and Industry in England, which can guide applicants to the most appro-

applicants to the most appropriate source.
Alternatively, the company should seek guidance from its professional advisers, most of which now have departments dealing specifically with the whole range of available industrial and regional aids. One other excellent source is the handbook produced each year by Professor Kevin Allen and his aides at the University of Strathelyde in Glasow Industrial Aids in the UK.

The first port of call for a company thinking of moving to Wales or Scotland, after govern-

advisory services to assist the aetting-up of new businesses as well as helping existing ones. Investment capital in the

that look efter much of rural Wales and Scotland. The type of services offered are not dis-similar but because of their two boards have a particular interest in the needs of rural companies and communities.

One of the features common to both Wales and Scotland is that, as the home of declining structural industries, each is the recipient of certain specific EEC aid schemes. The Agencies have been appointed; for instance, by the European Coal and Steel Community to channel funds to these parts of their

countries affected by the rundown of coat and steel.

Incentives

net funds to those parts of their

Manufacturing businesses

with up to 50 employees within an area hit by a coal or steel closure may be eligible for a loan covering half the fixed costs of a project at a highly herourable rate of interest over an eight-year period. Service industries are also eligible though the rate applicable to them may be eligibly higher.

Another down of European assistance can come from loans assistance can come from loans arranged through the European Investment dank. The EIB is an independent, non-profitmaking institution providing medium- and long-term loans and guarantees to help finance the capital cost of projects which promote regional development in the assisted areas, the common interest of areas, the common interest of several member etates (such as better communications) or moves towards specific com-

munity policy (such as reducing dependence on imported oil). Both Wales and Scotland have enterprise zones and Wales has an embryonic urban develop-ment corporation in Cardiff which addi eventually offer a number of incentives to incoming businesses. These are expected to be announced later in the year as the project gets

Wales has three enterprise aones at Swames, Mikord Haven and Delyn, in Clwyd; Scotland another three at Chalebank, invergondon in the

incomers a 10-year rates holiindustrial buildings.

They elso offer simplifica-tion of planning procedures, exemption from development land tex and from industrial training levies. However, the rates holiday operates from the inauguration of the zone and not from the setting-up date of not from the setting-up date of a company and so any incomer will now have less than 10-year benefit. In the case of Swanses and Chydebank, both set up in 1981, the benefit is virtually halved for any company starting in either zone today.

A wide range of advisory services available through both reputes is available in the two

agencies is available in the two countries. Finance, marketing.

In some case, the agency will make available for a limited time the services of a out to help those concerns with up to 20 employees which may not have specialised managerial skills, such as tressurership. As a result of the pool of expertise available every company in both countries and every intending incomer, should know there is a "lifebet" at the end of a telephone line. The agencies place great emphasis on this aspect of their work and they have been able to succour and save many comto succour and save many con-

Anthony Moreton

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We wanted to run the Region from a central location instead of London", says Mr. Cyril Bleasdale. General Manager, London-Midland Region, British Rail. "Birmingham, at the heart of the Inter City network, proved an ideal choice, leading to significant overall reductions in operating costs. The move has settled down well and most staff appreciate the higher standard of living resulting from lower house prices and shorter commuting journeys.

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Enterprise Agencies

Indirect but vital role

role in regional development is to work. indirect, but important.

One reason why is that they provide the major vehicle for the private sector to take an active role in helping to develop a local economy. Before their invention and development, such vehicles hardly existed.

Another reason is because of what they actually do: they promote and assist the development of small and medium-sized businesses. This in turn is important to regional develop-ment for one single reason.

There is now wide recognition that though inward investment is necessary and welcome, there is only a limited amount of footloose industry and projects about—and fierce competition for it in costly fighting.

Everywhere has to make the best of what it already has, growing as much as possible from within. This means maxigrowing as much as possible from within. This means maximising whatever local potential there is for small businesses and the jobs they create. Enterprise agencies have proved a cheap, efficient way to do it and have the virtue of involving—and hence committing—most of the community.

The enterprise agency be developed was backed by Pilkington, other private sector companies in St Helens, and the local council. People were committed that the virtue of involving—and hence committing—most of the community.

the community.

Britain's pioneer enterprise agency was the community of St Helens Trust. The form it took—the basic principles of which have been copied almost universally—was the invention of Mr Bill Humphrey, whom Mr David Trippier, the Small Firms Minister, describes as "the patron saint of the enterprise agency movement."

Mr Humphrey. a highly see.

Success was rapidly apparent and other callers came to see how they could copy the idea elsewhere. Mr Trippier, then a backbench MP, was one of the first, playing the central role in setting up the Rosendale Enterprise Trust in his own constitution.

Several events then led to the idea spreading much more widely: a visit to St Helens by

or more than 300 enterprise see if a plan drawn up by a Business In The Community agencies in Britain. The differ- team of Pilkington executives to (BIC), tax incentives for private ence in numbers is a story in create jobs in the wake of im- sector sponsors, and Mr itself, of which more later, but pending technological redundan. Trippler's promotion to run however many there are, their cies in St Helens could be made

The plan was for what was basically a training workshop from which small companies could be spun out Mr Humphrey, who had run Britain's first training work-shop, Elephant Jobs in London, was convinced they did not create long-term employment because the work being deno never got out of subsidy.

Long study of the problem brought the realisation that entrepreneurs created jobs for themselves and others—not governments or bureaucrafs— but that there was usually no-where for people to get un-business. At the same time, most of the rules of the game had been written by government bureaucracy for big business.

"the patron saint of the enterprise agency movement."

Mr Humphrey, a highly experienced general manager with independent means, was petus for urgent action provided

ACCORDING to the way they engaged in 1978 by the Man- by the Toxteth and Brixton pling taxation burden on itself are defined, there are either 253 power Services Commission to riots of 1981, the emergence of after the abolition of the county small business policy in the Government in 1983,

He decided to push for 300 enterprise agencies by the end enterprise agencies by the snu of 1986 and, by the Govern-ment's definition, he succeeded. This more that an agency is any body so designated for tax relief under the terms of the 1982 finance act, which allowed contributions to enterprise agencies in each or kind to be offset against corporation tax.

The Government has used this to give enterprise agency status to various bodies connected with small business development and job creation to assist their obtaining private sector support.

Thus, Nimtech, a network of big companies in the North-West concerned with technology transfer to and from the small business sector, is an enterprise

So is the West Yorkshire Enterprise Board, which pro-vides regional venture capital and has used the status to avoid what would have been a crip-

pling taxation burden on itself council which set it up. Innovation centres are also on the

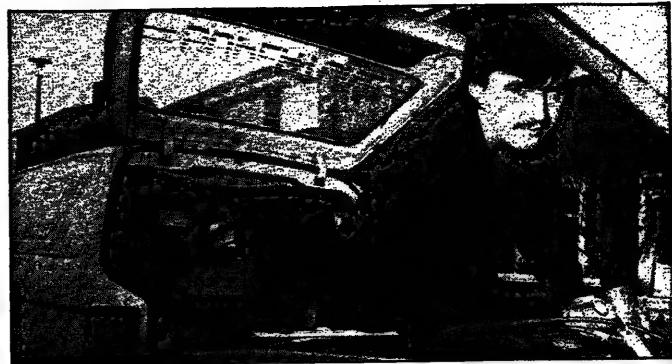
BIC, which acts as the umbrella organisation for the conventional type of agency, counts only these, which is where the figure of 253 agencies comes from.

All of BICs 212 subscribers which include most of the lead-ing companies in Britain, sup-port agencies in some way or another. Sometimes the way is cash for running costs, or it might be through provision of equipment, furniture or pre-mises, but the most valuable resource is usually people.

resource is usually people.

The idea of secondment of experienced staff has developed massively with the enterprise agency movement. Some large companies such as Marks and Spencer were already using secondment to community projects as a means of management development but the agencies have enabled the concept to be extended considerably.

An important result of this has been a much more wide-spread understanding of small business by a growing number active is obvious.



A young client of St Helens Trust with a successful business tuning cars. Britain's pioneer enterprise agency—the Trust was the model for hundreds of other agencies

cutives. "Buy local" policies have been one important benefit, often boosting the order books of thousands of amall businesses in a region.

Do the enterprise agencies really work? BIC thinks so and says that small business growth where enterprise agencies are

St Helens, which has the long-est experience, is a good indi-

cator. When the Trust got going risen to about 20,000 or 33 per one job per year is generated cent. In fact, the mid-1984 rate for every £120 that it costs to was 16.6 per cent—just short of run an enterprise agency. In 1500 people. 6,207 or 10.2 per cent. The rate fell to 8 per cent within 16 11,500 people

ing in the loss of at least 14,500 jobs in the town by the middle of 1984. Had the Trust not been there, there is a general belief unemployment would have

BIC estimates that at least

fell to 8 per cent within 16

So about 8,500 jobs appeared to at least 6,250 new jobs in the first six years, which is the continued, with the local authorized continued to a continued t continued, with the local authority having its best year yet for letting factories to companies growing out of their original premises.

Ian Hamilton Fazey

the St Helens case, this comes

English Estates

Scope for

Estates took advertisements in ment structure and given con-derly newspapers which set out siderably more executive daily newspapers which set out managers of industrial and com-mercial property in England." What was more significant about the message than the fact that it drew attention to the number of people working in its factories (136,000) or the number of concerns that last year

per or concerns that last year moved in with the corporation (over 1,600) was that it set out to compare English Estates with the Scottish and Welsh Development Agencies.

English Estates is the Government's development and property servicing entity for the English regions. Most of its operations are conducted within the English assisted areas, though it will, as in Chatham Maritime, or in the work it undertakes at the beheat of the Development Commission, undertake projects outside these

Activities

enthony W

Because of its connections with the assisted areas—it was set up in 1936 to bring succour to the depressed areas and, in particular, to the North East, and still has its headquarters on Gateshead's Team Valley estate—it is increasingly seen as, and wants to be seen as, an embryonic English development

dertake projects outside these

This is why a reading between the lines of its advertisements is more important than the factual message conveyed.

Regional development for England is very much in the political air. The success of the Welsh and Scottish agencies has been noted throughout White-hall: just before Christmas No 10 Downing Street called for a report on the work of the Weish

Two of the three leading political parties—Lahour and the tending the principle of agencies to some of the English regions. The Conservatives are known to be considering ways in which at least two English regions—the North East and the North West—and possibly two more—Devon and Cornwall and the West Midlands—might be given agencies along the lines of Wales and Scotland.

Any such extension would crucially involve English
Estates. Although its primary
role is as a developer and manager it is vitally positioned to take a leading role in any agency developments that might emerge after the next general

Under Mr Christopher Wates, the chairman, and Mr Tony in a position to play a much more active role in English re-(who moved to Gateshead from a post with the WDA). English Estates has been enlarging its overall interest in the regions.

powers to its regional mamagers. It could, with some ease, adapt organisations in the creation of regional agencies and there are grounds for believing that it not only could do so but would welcome such a change of

English Estates has used the opportunity of undertaking the development of the old Chatham dockyards to show how it could destant along regional lines.

develop along regional lines.
Chatham Maritime, as the scheme is now called, has become one of the most important developments in the south of England, half way between the prosperous London area and the Channel ports.

Following the closure of the dockyards in March 1984 the Government was anxious to do

something to restore an area which while not depressed was in grave danger of allding

The answer was to provide a campus style business park within a high quality land-scaped area that would take full scaped area that would take this
advantage of the waterfront
provided by the Medway. The
intention was to attract in the
sort of high-technology companies that were going to the
science parks in places such as
Cambridge.

Chatham Maritime started

with the advantage of having an enterprise zone within its borders, which meant that borders, which meant that entrants to this area—part of the larger area—could receive a 10-year rates holiday, exemption from development land tax, 100 per cent capital allow-ances and simplified planning

Newcomers

The Chatham area has already attracted a number of concerns of the sort English Estates is anxious to attract.
Just outside the dock gates Lloyd's of London has estab lished a large decentralised office block. Two departments of the Overseas Developmen Administration have taken lease on some 300,000 sq ft of the former naval barracks and other companies have indicated their interest even though it will be some time before they ere able to move in.

Under the revised financial arrangements worked out by the Government for English Estates last March the organisation has much more freedom to choose the way in which it wants to go about its affairs. It has the greater freedom of initiative that will stimulate manage ment. English Estates is now gional affairs, should the Government want it to do so.

Anthony Moreton

Are you taking full advantage of EEC Grants and Incentives?

The range of grants and incentives available to organisations within the of the practical problems of obtaining funds from the EEC in Brussels. We also have close links with the various regional development EEC is continually changing. It is also extremely complex. agencies in the UK through our network of offices in all

This means that local authorities, development agencies and companies both large and small need the very best advice if they are to be successful in applying for the grants and incentives available.

We, at each of our Price Waterhouse regional offices, are ideally placed to give expert assistance and advice on all forms of incentives.

In association with CERES, a specialist independent EEC grant consultancy firm, we have an indepth knowledge

major business centres. This service is part of our integrated range of business and advisory services extending from finance raising and tax advice for businesses to value-for-money studies for local authorities.

For further information why not contact Henry Butt in our Birmingham office on 021-200 3000 or John Collier in Newcastle on 091 232 8493. Or any of our offices in the UK.

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Price Weterhouse, Sun Alliance House 35 Mosley Street, Newcastle upon Tyne NE99 1PL

Stark contrasts between regions

ON THURSDAY of this week, ON THURSDAY of this week, Investors in Industry—the finance group owned by the Bank of England and the clearing banks—which is better known as 3i, will sponsor a seminar in Liverpool on management buy-outs. The event is a small but significant symptom of regional under-development in Britain

ment in Britain. ment in Britain.
So far, 31 has funded more than 600 by outs nationally. According to accountants Peat Marwick, the North-West is one region where there is growing interest in buy-outs as recessionable industry restrictions. hit industry restructures itself. Peat's Peter Evans will speak

For both 3i and Peat Marwick, this is one way of pros-pecting for potential new clients, as well as trying to build up a momentum on buy-outs in the regions. Most agree that the regions need this in-creasing momentum, as buy-outs have emerged in recent years as one of the safer forms of venture capitalism.

Indeed, if regional development depended on whether

small and medium-sized companies outside London and the South-East could easily get ven-ture capital backing for growth, would be vary little i development in

Few things illustrate regional imbalance more dramatically. If 8i's contribution is excluded, then in 1985—the last year for which there are comprehensive figures 59 per cent of all funds available for venture capitalism went into London and the South-East, with the South-East, north of the Thames, doing better than the opposite bank.

70 per cent of Britain's VATregistered businesses are based.
Indeed, the East Midlands,
Yorkshire and Humberside, the
North and the North-West combined received only an 3.3 per
cent of those involved believe they are better than nothing.

There is also a growing recognition of the very than a lot to do with the way things are. Financial Britain is the balance was taken last year cent share of the venture capi-tal cake.

The figures come from a survey of regional venture capital carried out by the USowned consultancy, Venture Economics, and published late last year in its UK Venture Capital Journal

Even if the nationwide activity of 3i is taken into account—it has 21 regional offices—the imbalance is still a striking one. 31's investments are difficult to break down into straight venture, or risk, capi-tal, but the Venture Economics survey showed that of what 3i advanced in loans and shares. 50 per cent nevertheless went into London and the South-

Pushing the virtues of management buy-outs in places such as Liverpool is necessary because the accelerating rush of buy-outs in the last two years has accentuated the national imbalance of venture capitalism even more. In 1984, before the even more. In 1994, before the buy-out rush was really under way, London's share of venture capital funds was 26 per cent since then, most of the bigger buy-outs have been of London-based companies.

In 1985 London's share of the venture capital cake rose to 35.5 per cent because of this. At the same time, the numbers of companies involved comprised only 23 per cent of the national total. So London got more money for bigger individual venture capital deals. Seminars in the regions will do little to change this, but most

There is also a growing recog-nition that history and attitudes have a lot to do with the way things are. Financial Britain is centred on London. It is where most of the specialist lenders and funds are based. There is an automatic and justifiable assumption that venture capital has to be sought in London.

This helps precondition atti-tudes among people and institu-tions—and particularly public sector pension fund managers— who invest in the funds in the who invest in the funds in the first place. For example, Mr Barry Anysz, a highly experienced fund manager who operates three successful business expansion schemes from Leeds, tried to set up a development capital fund in his area last year and was widely reputified.

Yet one large local authority which refused him £250,000 from its pension fund admitted while doing so it was giving £2m to a new, untried fund being set up in London by a well-known stockbroker. Mr Anysz was aggrieved because his fund will be only for projects in Yorkshire and Humberside: it is unlikely that much money from the London-based fund will find its way north at all. way north at all.

This will not necessarily be because of wilful neglect of the regions by London fund managers: according to Mr Robert Smith of Charterhouse Development Capital, "you need local knowledge to clinch a good deal" and there is a lack of it in London about the regions.

At the same time, he says

At the same time, he says that the relative economic buoyancy of London and the South East means that there is

the balance was taken last year when leaders of the financial services industry formed the Manchester Financial and Pro-fessional Forum (MFPF). This is chaired by Mr Fraser Grant, senior partner in Manchester of Spicer and Pegler, with heavy-weight support from the regional offices of 3i, County Bank, British Linen Bank, and half a dozen other hodies

half a dozen other bodies.

The idea is that northern companies will not have to go to London to fund even sevenfigure deals. Members of MFPF will be able to syndicate them in the regions. This has already happened with some buyouts and Mr Peter Folkman of 31's Manchester office expects to see

The other factor in the regional imbalance of venture capital is London overheads. These are seen from the regions as sky-high because of London rents, rates and — a very sore point in the ever-busier financial services sectors of Leeds and Manchester — salaries.
The administration charges

thus caused can make Londonbased venture capital funds very expensive to investors. They invariably mean that it is not worthwhile for a London fund to back any company wanting less than £250,000 or, in many cases, much more. Since it costs and the content of the content o as much to evaluate and administer a small project as a big one, people understandably opt for economy of scale.

This has caused what is known as the "equity gap" and

funds have been set up to fill it. Northern Investors in New-castle upon Tyne, the Avon Enterprise Fund in Bristol and the North-West Investment Fund in Chorley, Lancashire,

are all examples.
So are developments such as Mr Anyse's business expansion funds, which handle £1.57m from private individuals in Yorkshire and are helping the growth of 16 local companies.

So, too, are the enterprise boards set up by the defunct metropolitan councils. These have continued as entities in their own right and political influence has ensured that they attract local authority pension fund money at teast.

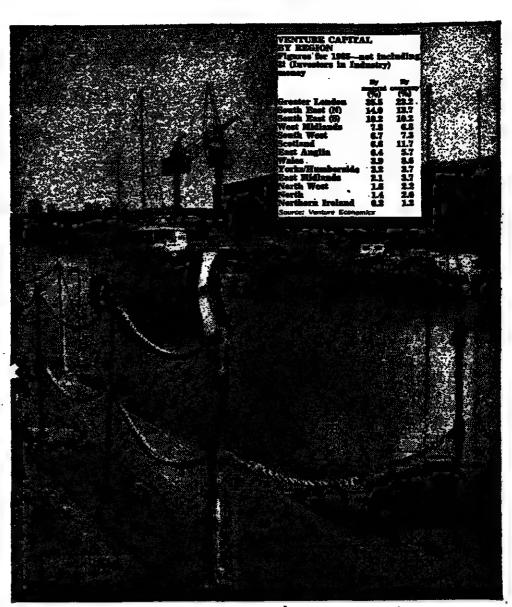
Their role is also much wider

than filling the equity gap and the government has recognised their value in helping to correct regional imbalance by giving the West Yorkshipe Enterprise Board (WYEB), for example enterprise accuraexample, enterprise agency status. The advantage of this centres on taxation: supporters will be able to write off contributions against tax and the board's own profits will be totally re-investable.

Events are therefore moving on the venture capital front, sibeit slowly. The key factor in spurring change is probably the growing awareness of the prob-lem at all levels, including the cabinet, where Mr Paul Chan-non, Trade and Industry secre-tary, has acknowledged the need for more venture capital

in the regions.
Whether the government will back this desire with more in-centives like that for WYEB is omething the venture capital industry awaits with intere

Ian Hamilton Fazey



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Nissan's Sunderland success helps to attract more foreign investment

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NISSAN'S NEW 550m car fac-tory in Westington, Type and West, last month swept smoothly to its initial produc-tion target of 95 Bluebird saloons a day, fulfilling all hopes that the Japanese com-pany's choice of the North-East for its British plant was the

the car is being introduced and the workforce is therefore on a new learning curve.

On January 1, the managerial driving force behind the plant, Mr Ian Gibson, was rewarded with a seat on the main board of Nissan Motor Manufacturing (UK) as deputy managing director. Mr Peter Wickens, the plant's personnel director, was elected to the main board with

Before joining Nissan, both men had front-line experience at senior level of the British motor industry with Ford. Then Mr Gibson worked for Ford in Europe, while Mr Wickens went into cenning, then the gas in-

Mr Gibson believes that the speed of the production build up—21 weeks from start-up—would be creditable for any established car-maker. In Nissan's case, the achievement

is doubly impressive because it has come less than 29 months after construction of the factory began on the disused Sunderland Airport, and with a largely "virgin" workforce as far as the car industry is con-

right one.

Production has actually the airport for the plant was the ine airport for the plant book an option on mother 503 dropped back slightly since acces. It will be needing all the then, but for the best of land much sconer than anticireasons: the five-door model of pated because the Sunderland the car is being introduced and success has encouraged Nissan's Japanese head accelerate its plan

the cars rise to 60 per cent by 1988—two years shead of the planned date—and 80 per cent

planned date—and 80 per cent by 1991. Then, production will be up fourfold on today, at 100.000 vehicles a year.

What is happening at Nissan in Sunderland, however, has more than local significance, When the project was first an-nounced there was criticism that a great deal of government time and money was going to lead, initially, to only 470 jobs.

Wes the effort needed to attract inward investment there-fore really worthwhile?

Would the resources con-

Would the resources con-cerned be better in something else, or somewhere else, fuel-ling other growth or slowing down another industry's

The answers to these questions are, however, emerging with a vengeance as it becomes with a vengeance as it becomes clear just how great a principal of the North-East.

To start with there are the jobs at Nissan itself. Although 70 specialists had to be imported to counter the area's lack of professional and engineering know-how, the rest went to local people. But the present workforce will provide present workforce will provide the shopfoor leadership for the next generation of employees, who will total 2,700 within four

Then there are the jobs out-side. The Sunderland cars have never been, in the industry's parlance, completely knocked-down kits for mere assembly. parlance, completely knocked-down kits for mere assembly. Deliberately, there are missing pieces. The consequence is that pieces. The consequence is that indirect employment is being created by the plant as more and more British and EEC com-

when the Prime Minister opened the factory in September, 27 British component suppliers had been approved. Now there are 58, with a further nine in mainland Europe. Initial plans were for a intial plans were for a domestically-sourced content of 40 per cent in the first phase of the project: this figure is now likely to reach 50 per cent in the first year of production.

When the figure reaches 60 per cent, the cars will be per cent, the cars will be officially classified as British. By then, production will have begun of left-hand drive begun of left-hand drive models for export. Within a year of that, exports should account for one-third of output. By 1990, when the factory has its own engine machining facilities to add to its press shop and plastic moulding plant, Sunder-land will be ready to design and build Nissan vehicles exclu-sively for British and European

However, the importance of it all does not stop there. Nissan's executives believe that the first stage of achieving success was making the right choice of location for the factory in the first are nearly all manufacturers.



British and Jananese workers on the Bluebird production line at Nissan's \$50m. car factory at Washington, Tyne and Wear

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place. The Sunderland site won They include Ikeda Hoover against fierce competition from five others in Britain.

Tabuchi alactrical (transformers), Activebadge, Tin North of England Development (Lung Knitwear and Superbadge Council, says: "It was the most (textiles), Thermax (toughened glassware) and intensive analysis of a location that has (notweet chine) place. The Sunderland site won are instituted from the sunderland from the five others in Britain.

Mr Mac Campbell, of the North of England Development Council, says: "It was the most exhaustive and intensive analysis of a location that has ever been done by an overseas

ever been done by an overseas company. The spin-off has been very important because many other inward investors have adopted the attitude that if the North-East is good enough for them, too."

This has been as the off of Geordie workers

This has been as true of Japanese companies as of others in south-east Asia and elsewhere around the Pacific Rim. There are now 13 Japanese companies exhibited in the panies established in the North-East out of 22 from the eastern hemisphere. Of the others, three are from Hong Kong, one each from Singapore and South Korea and four from

Australia.

Komatsu, the earth-moving equipment manufacturer, is regarded as equally important to Nissan as a contributor to a critical mass that is likely to attract others. In Komatsu's case, new types of labour relations agreements—such as "pendukum arbitration," where an outside outs for one side or "pendulum arbitration," where an outside opts for one side or the other in a dispute—may well set a pattern for elsewhere. A few companies—NSK (ball and roller bearings), polychrome (printing plates), and NKK (zips)—were in the region before Nissan's decision, and probably helped influence it. But the rush has been since then, and has encouraged the development council to open offices in Tokyo and Hong Kong. Mr Campbell says that the situation continues to look promis-

(polymer chips).
SP Tyres is also at Washington. This was the former Dunlop factory bought by Sumitomo Rusber. It has made a productivity articles of the control of the co productivity gains of up to 20 per cent under its new owners, with substantially the same workforce and management. This in itself is a valuable advertisement for the qualities

The arrival of Nissan has therefore been a watershed in attracting inward investment in sufficient volume to have what significant descriptions of the property of the propert

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If one form of economic activity always helps to generate other economic activity, then the north-east is proving the value of prospecting for newcomers at the highest level, as well as making it worth their while with grants and incentives.

Ian Hamilton Fazey

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Birmingham April 86

OPERATIONAL SCIENCE

Feb 85

Oct 86

1972

Oct 85

Feb 84

Sept 83

1972

Dec 84

1982

April 84

Dec 84

Dec 84

Dec 34

June 86 July 86

Feb 84

Total companies

1984

68

12

12

18

11

13

14

March 83 April 86

THE SALIENT feature of the science park movement last year was its growth. The number of parks associated with universi-ties increased in 1986 by five to 28 and work began on sites at Sheffield, Antrim, Cardiff. Reele and St John's College,

Party Is

The number of tenants also increased rapidly, from 288 to 412 at the end of last November, according to the UK Science Parks Association. Furthermore, the area occupied by companies on these parks rose by almost a third during the 12 months to 1.89m sq ft.

This is by no means the full

story. There are also science parks at Sussex University and the Cranfield Institute of Te-nology which are not recognis as such by the association as they are not "managed." Nor does the association officially does the association omeraty recognise the large number of parks, such as Birchwood at Warrington, which are primarily commercial enterprises.

Explosion

The explosion in numbers will continue this year. Parks linked with colleges in Aber-deen. Salford, Sunderland, Essex, Portsmouth Polytechnic, Imperial College London, Oxford, Reading and St Bart's Hospital, London, are hoping either to start construction

It is expected that a further solar will be spent on science park developments on top of the solar already committed.

By the time all the parks under construction or considera-tion are completed in the early 1990s, Britain should have more than any other country and just over a third of those in the US. The big growth in park development dates from 1982 when construction of the second wave began in Britain. The idea of science parks originated in

at Nasarah



The Mall at Aston Science Park, Birmingham, is a turn-of-the-century warehouse refurbished to high technology style

elastically in only two places, Heriot-Watt University in Edin-burgh and in Cambridge, where Professor Nevill Mott, then Cavendish professor of experi-mental physics and a fellow of Trinity College, quickly saw the benefits that could arise from the prince ministerior Stanford and was brought to the UK in the mid-1960s by the Lebour Government led by the

advanced, industries to replace the deckning coal, steel and shipbuilding sectors the Prime Minister wrote to all the univer-Heriot-Watt and Trinity both had specific, and different, sities in the UK suggesting they might set up areas where tech-

Heriot had not long been set. up; had moved to a new site outside the city centre and wanted to develop its links with advanced industry which had been developed around Edinburgh during and after the Second World War.

At Cambridge, Trinity was anxious to find an alternative path to the development of some land it owned on the edge of the city. The college did not particularly want to go down the conventional office-block commercial route and felt it could better use the land in a way that complemented its teaching and research role.

Despite the quick response to the Wilson initiative it was to

be seven years before the first tangible evidence of a science park emerged at either centre. Another seven or eight years were to elapse before any other niversity would follow suit.

Debate

so meny science parks sprung into life at this time. Some science park leaders attribute

sity finances by the present Government. They argue that as it became much more diffi-cult to fund all the research the

universities wanted to under

elsewhere, encouraging staff and others (many of whom were former staff) to do their

firm. Universities in the past few years have wanted to be associated with both areas whereas in the 1970s there was

Whatever the reasons, has been little regional input into the science park move-Having set the ball moving the

out any other involvement Those parks which exist in regionally assisted areas Durham, Glasgow, Liverpool, Leeds—have qualified for the mandatory regional development grants towards new plant and new buildings.

doubtful if they have been given nuch government and. Imfrom sources of European aid, too, since Brussels only assists those areas which are delineated by national govern-ments as assisted areas.

Investment

There has, however, bean a considerable input by regional authorities towards the movement. In Scotland the Scottish
Development Agency has
actively helped establish science
parks and been involved in
those in Glasgow, St Andrews

and Stirling.

The Welsh Development Agency was slower to throw its weight behind the movement but in the past few years it has made strenuous efforts to catch up and either it or Mid Wales Development, the Government arm that looks after rural mid-Wales, have been involved in parks in Aberystwyth, Wrexham and Swansea. Similarly. English Estates,

Similarly, English Estates, the Government's development arm for the English regions, has been actively promoting their construction in Bolton, Bradford, Durham, Leeds and Hull while the Northern Ireland Development Board has been a partner with both the Queens

a partner with both the Queens
University in Belfast and the
University of Ulster in the
Antrim Technology Park.
Figures from the Science
Parks Association show that of
the £92m invested in property
so far, two-thirds has come from
the public sector.
Delegate involvement in

the public sector.

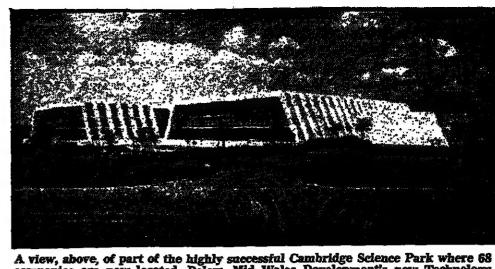
Private involvement in science parks has been equally slow. One feature of the British movement has been the almost complete jack of interest in the parks by the private financial institutions. Only six parks have private developers, this despite the fact that the occupancy rate is high and the number employed on the parks is growing, having jumped 53 per cent last year to 5.300.

Science parks have come and are here to stay. Cambridge has proved that. Trinity's Cambridge Science Park is to be joined later this year by an innovation centre set up by St John's College.

John's College.

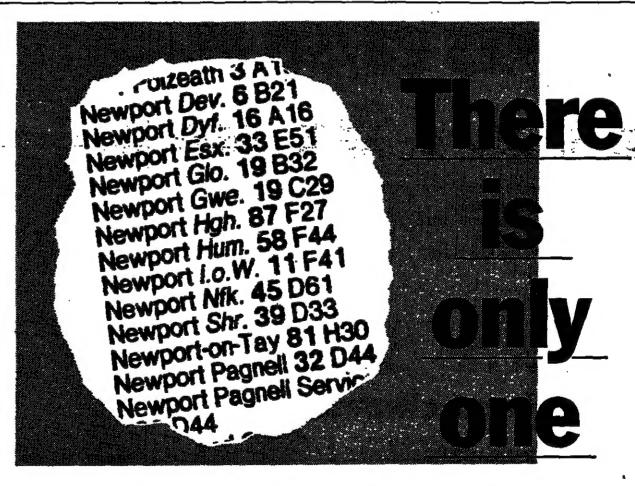
The two colleges are next-door neighbours in the city; their science parks face each other on the outskirts. Given the nature of the movement it is likely that Cambridge will have the unusual distinction of having two parks at a time when Oxford, does not have

Anthony Moreton



companies are now located. Below, Mid Wales Development's new Technology Park at Newtown. The development is set in landscaped grounds overlooking the town's golf course





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Inter-City services between

BRITAIN'S great industrial metropolises, the legacy of the rapid growth which followed the industrial revolution, are but not, it would appear,

is, indeed, all too evident in, for example, Birmingham, for example, Birmingnam, centre of a region with more than 350,000 jobless and the fastest rate of increase in unemployment of any part of Britain since 1976. It is clearly evident also in Manchester where, in old inner industrial areas, total job losses exceed those in steel closure towns, such as Corby.

closure towns, such as Corny.

Yet, paradoxically, decline has been accompanied in these and other cities by a level of investment, albeit not in manufacturing which is probably greater than at any time since the 19th century. The physical face of Glasgow has been changed not just by the massive clear up of the run-down eastern area of the City through the Scottish Developthrough the Scottish Develop-ment Agency-inspired Glasgow Eastern Area Renewal (GEAR)

In the city centre itself, older buildings have been cleaned, and in some cases put to new eisure or residential uses.

New commercial develop-ments, some of them tailor-made for specific clients such as Britoil or Coats Vivella two companies with headquarters in the city—have been put up, while others, in an act of con-fidence by developers in the

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In Manchester, local authority and private sector interests have been the driving force behind such developments as the conversion of the former Central Station into a new exhibition facility, G-MEX, and the transformation of industrial The net loss of 1,107,000 jobs in the North between 1979 and 1986, revealed in recent Department of Employment statistics, ment of Employment statistics, and transport buildings in the Control of Industrial and transport buildings in the Control of Industrial Castlefield area into heritage museums capable of generating substantial tourist traffic.

Bristol too, has seen substan-tial investment in its disused docks which represent again an important asset for the city, offering a range of employment opportunities in warehouses and other buildings converted for leisure, tourist, commercial and residential use.

In Birmingham, a new £130m Convention Centre creating 2,500 new jobs, and new hotels are being built close to the city centre to complement the highly successful National

The evidence is too flimsy to talk of a renaissance in any of these cities while acute social and economic hardship con-tinues to face large sectors of the population in inner city ar/as located not far from re-viving central business districts. Even in Bristol, which falls south of Britain's dividing line

of prosperity from the Wash to the Severn, there are large areas of poverty, and not just in the ethnically-mixed St Paul's area. The south of the city has been badly hit by closures in the tobacco and packaging industries and, according to city council figures, one-fifth of the population lives in particular to the population lives. in poverty.

in poverty.

After years of struggling—
usually in vain—to prevent industry slipping away because of
inducements, lack of developable space, or for some other
reason, to more attractive
greenfield locations in the New Towns or elsewhere, several of Britain's biggest cities are beginning however, to find that the shift in the economy to-wards services can be used to

their advantage.

Businesses, both services and manufacturing, have been tending over recent years to buy-in new services or to con-tract out existing functions to specialists, in computing, public relations, recruitment or any number of other disciplines.

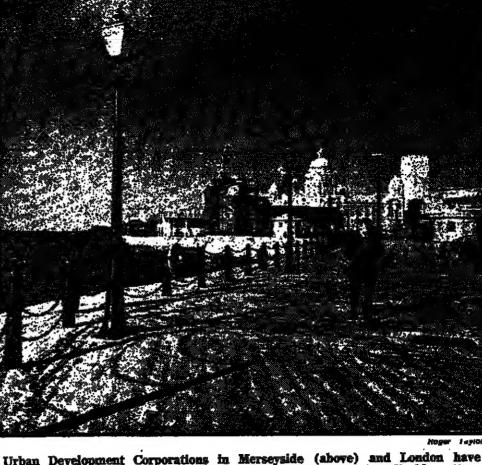
The increasing complexity of business operations and the need to concentrate human and financial resources on core activities has been the main reason Development Corporation, but for this trend, and the result also the conversion of old has been the growth in the con-

The bigger cities have bene-fitted because of the tendency the city's business district of services such as these to thrive off each other and hence thrive off each other and hence to operate in clusters. While the overwhelming bulk of business services and in parti-cular, financial services, such as mechant banking, are pro-vided from London, one of the factors behind the very strong services employment growth in the South-East, important clusters have developed in other cities as well, usually those such as Manchester, Birmingham or Leeds, which have established a dominant position over other cities in

of business services has been a growing aceptance by local surhorities in larger urban areas that services in general should not be decided but represent the best hope for job

creation.

In Manchester, for example, a campaign in operation for five years has succeeded in changing significantly for the better perceptions within the region about the City Centre and this has brought a sharp rise in retail trade and a strengthening of the property



Urban Development Corporations in Merseyside (above) and London have established what the Government believes is a workable and replicable pattern for other areas

market. The city centre, partly as a result of transport poli-cies which discriminated against use of the car, had been losing retail custom to other centres in the towns which surround Manchester.

The council has developed a more flexible stance in this field and also contributed in other ways to improving the attractiveness and accessibility of the city centre. Business has been prepared to sponsor events and schemes and has further shown its confidence through involvement in various urban renewal projects in the city centre itself.

These include not just the G-MEX scheme, in which Commercial Union played the major role alongside the Greater Manchester Economic Devalers

this has come a series of briefing papers aimed at guiding those interested in doing busi-

individuals and companies pro-viding professional services have banded together to form the Manchester Financial and Professional Forum, the object of which is to promote the city as a financial centre. By making better known the range of services which can be obtained in Manchester it is hoped that businesses throughout the region can be persuaded to look to the city first, before travelling to London.

In Glasgow a similar coordinated effort by both private and public sectors has produced an even more remarkable turn-Professional Forum, the object

an even more remarkable turn-round in the City's image and to judge by the central busi district alone, its fortunes.

Better campaign initiated by its prepared to carry them through then Lord Provost, Robert Gray, It is also spearheading the city's a public relations effort incended originally to boost from inside Britain and outside morals but subsequently backed to make the city the headmorale but subsequently backed by more tangible measures designed to win for the city a share of growth sectors within

The SDA having previously concentrated most of its efforts from the late 1970s onwards on relieving economic and social distress in the City—for example, through GEAB—was anxious to play instead to certain strengths which it identified—not least the oppor-tunities it offered, as Scotland's biggest population centre, as a service base.

New schemes

The private sector has been encouraged with SDA assistof schemes aimed at improving office and retail provision in the city which had began to fall seriously behind standards in

The agency has helped put together with the private sector ing the 16-acre St. Enoch stati site and has also been involved with the two local authorities covering the area in schemes to convert old commercial build-ings at Briggait and in Ingram residential use.

A much more ambitious scheme being understated

A match more amounted a group of British and European institutions will create 400,000 sq ft of retail space in Buchanan Street and also provide the city with new concert hall facilities. Other efforts to capitalise on the privae sector's new interest in Glassow city centre's comin Glasgow city centre's com-mercial possibilities are being channelled through Glasgow Action, a new body set up by the SDA but in which it now plays very much the jumor role

Action seeks to

to make the city the head-quarters for their European

operations.
Birmingham's approach has

been some what different, having to be tailored to make

the best of its greater proximity

Centre, a UK facility capable of competing with international centres on the continent. Ease-of-access from London was also

a factor which enabled Birming-ham to compete — albeit unsuccessfully in the end — as Britain's candidate for the 1992

The city is hoping the success of the NEC — now 10 years old and recently doubled in size —

can be repeated in the Conven-

major cities such as Bristol, Glasgow and Manchester, is also seeking to build up other visitor

Birmingham.

by the tourist industry.

along with

in all the major cities there is concern that manufacturing should be present in sufficient strength to generate real wealth.

Yet while services industry growth has been a positive development for several major civies such as these, helping to generate new investment in city centre facilities, helping in turn to make these centres attractive for other wisitors as well, the development also begs a number

sbility to offer a wide range of cultural activities and enter-tainment from opera to pop and have began, as for example in Manchester where the Opera

cater for audiences capable of

being attracted from over a wide area.

through a series of festivals including its now well-established wine festival and

Glasgow is looking for a big increas in visitors from both the Carden Festival in 1968 and from its designation as Euro-

pean City of Culture for the year 1990.

in none of these cities would it be claimed that service growth was going to provide all the enswers. In Birmingham,

the city council and the West Midlands Enterprise Board have developed policies over recent years for strengthening what is

years for strengthening what is seen as the bedrock of the area's economy—six large number and variety of medium-sized com-pantes. The sim is to strengthen the erea's existing "lead" indus-tries and to create new ones especially in high technology.

In Manchester, similar efforts to sustain existing industry are pursued by the GMEDC and

Investment

House has been re-open

questions. The tendency of business strvices to cluster and the ease with which journeys can be made by motorway over wide areas is likely to mean a small number of cities — perhaps only those mentioned together with Bristol and Leeds — will establish themselves as the dominant service providers. Prospects for a second tier of city from which older industries have also departed could thus be made even more bleak.

to London compared with cen-tres in the North. There must also be doubts The city has, partly because of this closeness failed to deve-iop the range of financial ser-vices available in Manchester about the contribution which the growth of services in centres such as these can make to employment and personal incomes. Many of the jobs in the tourist related services now a base for some 60 foreign banks — or the number of separate francial institutions being encouraged in cities like Bristol and Manchester are likely to be lowly-paid, and Glasgow and Edinburgh, Birmingham has been able

part-time.
There remains, too, another to take advantage, however, of the vast population within easy reach in the south-east to deveunanswered question — the length of the professional and consumer services tall which can ultimately be supported by a shrinking manufacturing

manufacturing in Britain's older cities will still be needed, and should perhaps concentrate even more on promoting their role as seedbeds, generaling smaller busine perhaps inevitably will want to expand to the more open sites available in smaller towns.

When all this is said, how-

ever, the developments taking place in the central business districts of some of Britain's great cities do appear to offer a ray of hope.

Big cities such as Manchester,

seeking to build up other visitor business to generate increased trade for city centre shops, hotels and restaurants. Though it dacks Bristol's quaysides or Glasgow's Victorian street pattern, it does have an industrial heritage from the 19th century, a canal network with leisure potential and a number of important museums and other sites, not to mention Stratford. Glasgow and Birmingham have the scale and size to offer diverse range of cultural and entertainment facilities, large scale education campuses and international air links not to mention the professional services of a range of accountants, merchant banks or business law sites, not to mention Stratford on Avon and other Warwick-shire attractions, not too far away. Efforts are now being made to stimulate investment firms. The future may not, after all, lie entirely with the small country towns (mainly in the south) so beloved of high tech companies. The bigger cities have also began to capitalise on their

Rhys David

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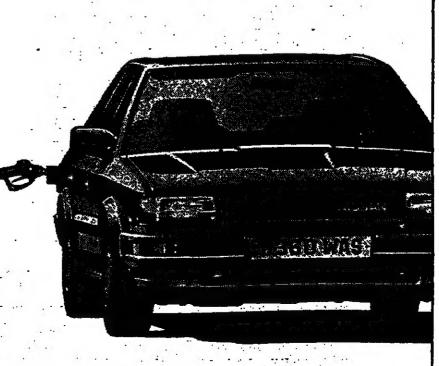


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Regional Development 9

The Shire Towns

Small becomes more beautiful

country towns, relatively small and self-contained and many of them in the better-off southern regions of the country, appear to be the areas which will see the lion's share of any economic growth in the closing years as growth in the closing years of the 20th century.

the 30th century.

It is worth remembering how recently, in historical terms, Britain was overwhelmingly rural. In 1750, only two cities, London and Edinburgh, had more than 50,000 inhabitants.

With the advent of the industrial Revolution, the number crept up to eight by 1801 and then slew to 29 by 1801, of which nine had more than 100,000 citizens. Only by that stage did more people in Britain live in cities than in the countryside,

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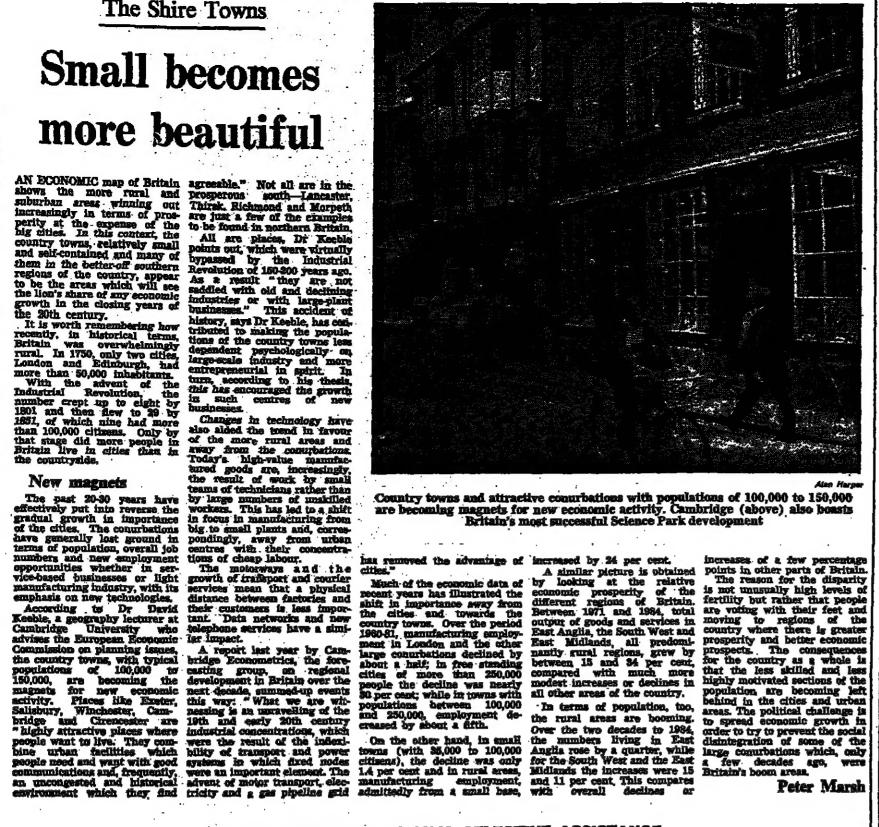
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AN ECONOMIC map of Britain agreeable." Not all are in the shows the more rural and suburban areas winning out increasingly in terms of prosperity at the expense of the big cities. In this context, the country towns salutionly small



A CASE STUDY IN REGIONAL SELECTIVE ASSISTANCE

Why a pump producer went West

AFTER 86 years in Reading.

It is extremely difficult to recruit such workers from other making activities in the autumn area. So we took the decision that Reading was not been to move the combined operation. SPP and Sykes—in force, is still operational, and public under the chairmanship of Mr J. A. Nutt.

The move has been accompanied by help from the Government under its regional useisstance and programme. Coleford is in an intermediate area, which means that although automatic grants are not available the company was able to qualify for regional assistance over the selective assistance.

It is extremely difficult to populate to move the combined operation. SPP and Sykes—in force, is still operational, and populate the town at one time housed at the town at one time housed at the town at one time housed at the town at one time house and two years later went to a greenfield site. One the town at one time house a plant, was canvassed but early on fall by the wayside. Then the advantages of developing a plant, was canvassed but early on fall by the wayside. Then the advantages of developing a plant, was canvassed but early on fall by the wayside. Then the way to be undertaken," according to Mr Andrew Thompson, the use of water pumps and, like SPP, and solve the company was able to qualify for regional assistance over the selective assistance.

Had SPP not been the combined of the town at one time housed and two years later went to to a greenfield site. One the town at one time house in the town at one time house and two years later went to the town at one time house a plant.

"Quite a bit of training will have to be undertaken," according to Mr Andrew Thompson, the use of water pumps and, bloid in SPP's offices and it was followed the development manager, but the supplier in the use of water pumps and, like SPP, had active market in the development and intermediate area, which were also affected by the regional assistance over the solution of manufactuation of manufactuation of manufactuation of manufactuation o

After considering aspects of the move, such as the number of jobs affected and the sort of work being undertaken, SPP will receive £500,000 towards a will receive 2000,000 instants at total investment in excess of 25m. This grant is made by the Department of Trads and Industry because this project both saves jobs in Coledord and creates a number of fresh ones,

"A move from Beeding was almost inevitable," according to Mr Bob Crane, finance director of SPP, the parent company. "The site at Reading is old and even though we have spent money on it over the years, it is becoming increasingly expengive to maintain.

"In addition, it is increasingly difficult to get skilled workers in the area and, due to the high cost of accommodation,

But where to go? SPP was aware of regional assistance and the sort of incentives available in the development and intermediate areas.

"We had kept an eye on regional assistance over the years," Mr Crane says, "and had indeed seen some of our competitors benefit from the sestem.

"We also had good guidance from our professional advisers, Deloittes, who had specialists working in this field."

The choice of Coleford was slightly fortuitous and, to an outsider, may not seem the distiplace to locate an industrial undertaking in need of high mechanical and engineering

When last September it took over the old-established business of Henry Sykes, which already had an operation in Coleford, SPP had been looking further west, into South Wales, where 15 per cent mandatory grants are available in many parts towards new buildings and new machinery.

Strong support specialises in three main areas: fire pumps as in fire fighting, fixed fire protection and off shore fire installations; environmental and industrial. In 1983, before the takeover of Sykes, it had a turn-labour and government training parts towards new buildings and new machinery.

In nearby Cinderford a Rank.

The original intention had When last Septem

skille.

Gloucestershire works

Had SPP not been thinking of closing Coleford as well it is doubtful under the Government's stringent rules whether it would have got as much help as 10 drd. The additionality rules, by which a company has to show that it would not go shead with a project unless it is assisted, are now adhered to strictly within Whitehall. The South West Regional Office of the DTI are deeply concerned at the potential job losses in an area of already high unemployment and were highly supportive of SPT File.

supportive of bir ful .. Strong support

syries employed about 140 people in Coleford and was the second largest employer in the Gloucestershire town. To these "saved" jobs will be added an another 60 which will be created as a result of the switch. Since SPP Pumps has about 210-220 engaged in manufacturing in Reading, as well as a similar number of cosporate and administrative staff, some reshaping of the company is inreshaping of the company is in-

This has been made necessary because of the fall in oil prices, which has seriously hit the market for pumps. SPP specialises in three main areas: fire pumps as in fire fighting, fixed fire protection and off shore fire installations; environmental and industrial. In 1985, before the

"This fall led to under-utilisa-tion at the Reading plant." Mr Crane says, "and so a major re-organisation was necessary. Re-location was an essential part

of that re-organisation."

The one problem which Mr Crane admits to having difficulty with is in convincing the younger professionals on his staff of the merits of moving to Clovestarships.

staff of the merits of moving to Gloucestershire.

It is not that they dislike the "countryside," compared with Reading's more urban merits. They fear that, with the considerable difference in house prices, they might find a move back to the Home Counties out of the question should they want to retrace their steps. Mr Crane is sanguine.

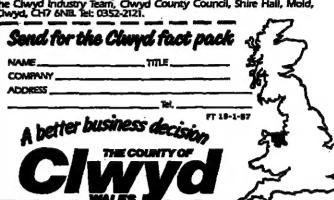
"We'll get over it. It's a "We'll get over it. It's a good decision," he says.

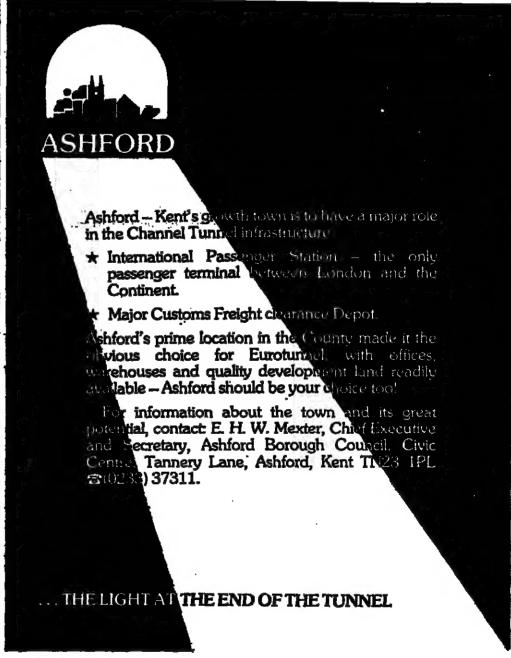
Anthony Moreton

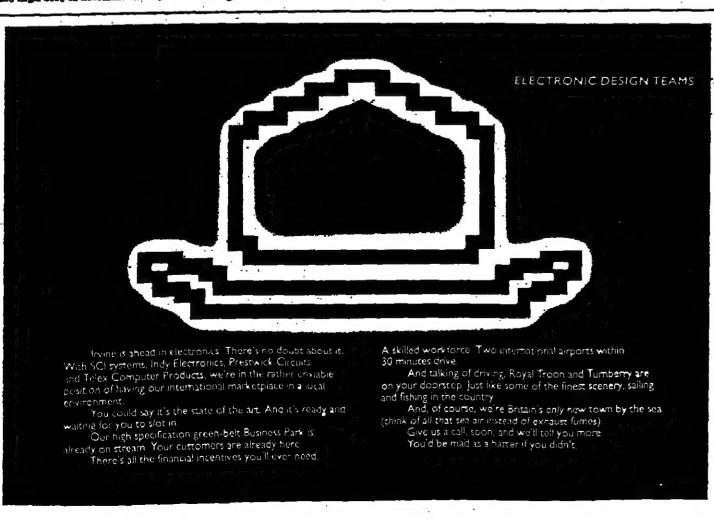
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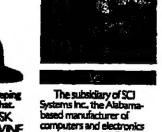


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NEW-HORIZONS-FOR INDUSTRY

Benefits will spread far and wide

EUROTUNNEL, the Anglo-French consortium established to build the Channel Tunnel, estimates that up to 20,000 people in Britain alone will be involved in building or supplying equipment for one of the world's greatest construction

worth's greatest construction ventures.

Many of these jobs, because of the traditional geographic spread of engineering industries in Britain, will be located in regions which have seen the greatest fall in employment as engineering and manufacturing sectors have declined.

Regions heavily involved in

Regions heavily involved in manufacturing engineering and construction equipment, steel fabrication, or producing railstock will be obvious beneficiaries during the six years of Rail survey which estimates construction: but what benefits that 70 per cent of goods from regions once it is built?

The British end of the tunnel to the Continent is likely the tunnel to the come from factories and ware-

will emerge in south-east Eng-land: an area which is already one of the most economically successful regions in the country and which surely does not require the kind of stimulus that the tunnel will bring?

By comparison, the French end of the tunnel emerges in the depressed region of northern France which is already devising strategies to take full advantage of the benefits the tunnel will bring in attracting new industries which will want to be close to the mouth of SNCE regions of freight by road than by the state-owned the best close to the mouth of SNCE regions. to be close to the mouth of such a vital communications

Impact

Eurotunnel, however, argues that it would be shortsighted for Britain to regard the tunnel as a piece of infrastructure whose benefits are in the main likely to be restricted to the south eastern corner of the

houses north and west of

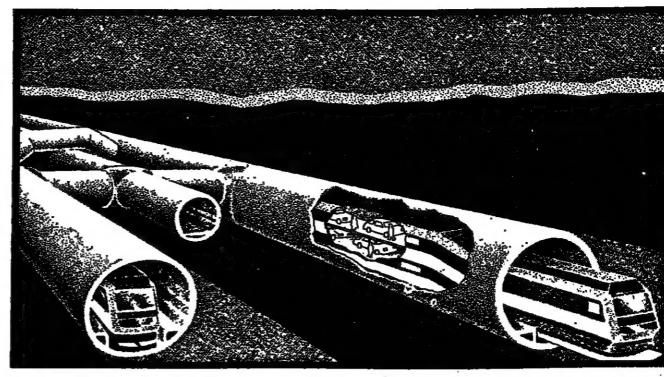
wattoru.
The tunnel may also have a significant impact on the way goods are transported in Britain which, by comparison with the Continent, transports a much

Eurotunnel says that BR fig-ures show that only 3 per cent of internal freight is carried by British Rail by comparison with 12 per cent by the state-owned SNCF railway system in France.

The tunnel, it says, will cut journey times and reduce costs for manufacturers which previously have relied on a com-bination of road, cross channel ferries and, on the other side of the Channel, road or rail transport to get their products to destinations on the Conti-

"Companies using the rail link through the tunnel could save up to 48 hours in travel time to Continental destinations which currently take up to 60 per cent of all British exports,"

One of the reasons for the popularity of road transport in Britain is the economics of rail traffic which do not start to make sense until goods are transported for a distance of



The 31-mile Eurotunnel is likely to be one of the world's greatest construction projects. By July the construction consortium should be close to completing plans to finance the rail tunnel through a mix of loan agreements and share issues totalling £6bn

consortium, will be a 31-mile-long rail-only tunnel which will link the British Rail network rail system and encourage more manufacturers to consider rail as their main transport option,

Rail freight traffic can London in order to get to the already bypass London travelling to the west of the capital via Willesden. Similar plans of using the different loading are being considered by BR to gauges in Britain and other ensure that passengers travel-countries in Europe is also proensure that passengers travel-ling from other parts of Britain posed to be extended. will not have to change trains and mainline stations in communication with the Conti-

nent is already exciting some cities outside the south east of England. Clydeside, in Scot-land, for example, is examining ways to improve its status as an entrepot port: unloading goods from ships from North America to be then shipped by rail directly to other Continental

The saving in sailing times between Clydeside and Rotter-dam would be as much as 1½ days, says Eurotunnel.

Questions Sheffield in south Yorkshire is also considering a proposal to establish an inland clearance depot in the city to take advan-tage of the tunnel says the

consortium.

The greatest benefits of the sunnel in terms of encouraging new andustry and commence to establish new works is, however, likely to arise in the south-east. The existence of the tunnel is likely to encourage property developers and service and distribution companies to search for sites around its entrance in the same way that companies have sought to locate their operations to the west of London to be near to Heathrow

orbital motorway around Loodon and plans to build a new river crossing over the Thames at Dartford will make the

to commercial property developers.

This could create problems for the British Government which, because of the high level of unemployment in other regions, may not be over anxious to stimulate increased activity in this part of the country; yet may not want to lose out to the French who are actively encouraging new development at the other end of the tunnel in depressed northern France.

What happens, for example,

What happens, for example, if a Japanese manufacturer seeking to locate in Europe is being encouraged to move to the French end of the tunnel by a series of state approved grants and incentives?

Do the British try and match these at their end of the tunnel and risk upsetting other regions with greater unemployment

problems?
The placing of orders by the consortium for the construction of the tunnel is likely to pose less of a problem in terms of creating regional conflict. Contracts so far placed by Eurotunnel have been won by a stread of companies located in particular parts of the country. in various parts of the country.

These include a £6m order for two tunnel boring machines placed with Howden (Gros-venor Tunnelling) and a £1.2m order for rack and pinion adhesion locomotives placed with Hunslett of Leeds. A £13m Hunslett of Leeds. A fi3m cement order has already been won by Blue Circle.

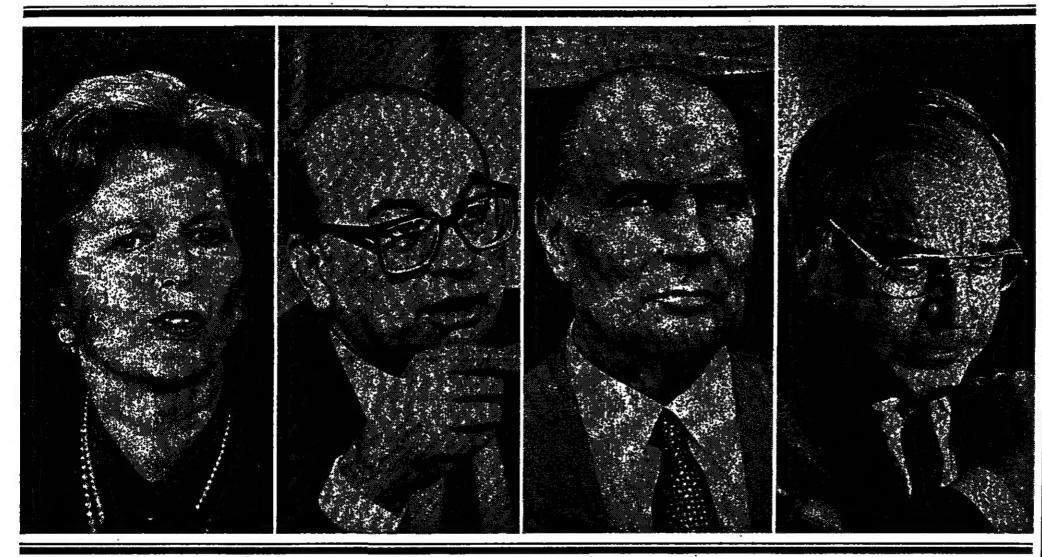
At least 30 per cent of the construction costs of the Channel Tunnel, valued at f2.6bx at 1985 prices, must go to companies other than the ten leading British and French contractors which last year won the main build contract, EEC legislation also requires that any subcontract worth more than Ecu Im (about £700,000) must be put out to international tender and advertised in the Official Journal of the European Community.

The Department of Trade and Industry, to try to ensure that

The Department of Trade and Industry, to try to ensure that UK companies win as much of this work as possible, has established a small permanent team of civil servant advisors to advise would be sub-contractors. The team is already in contact with British companies most likely to bid for work, it is also providing details of contract opportunities through the department's own regional offices partment's own regional offices and through chambers of com-merce and trade associations. "To make sure that oppor-

tunities are not lost it is essential, however, that companies carefully scrutinise the Official Journal of the EEC," says the

Andrew Taylor



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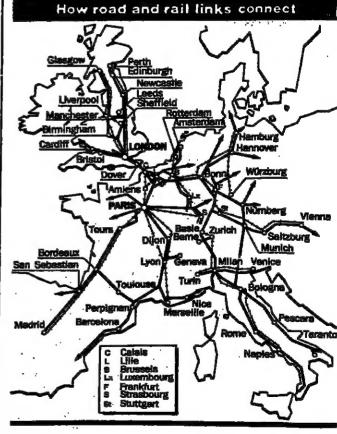
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Crucial period ahead

THE NEW year brought with it the most testing periods so far for Eurotunnel, the Anglo-French banking, engineering French banking, engineering and construction consortium, chosen by the British and French governments to build the 31-mile railway tunnel.

The next 200 days will be crucial in deciding whether one of the world's greatest construction projections will go shead.

By the end of July the con-sortium should be able to tell how successful the UK Govern-Channel Itaniel Ball Infolga Parliament. It should also be close to completing its plans to finance the tunnel through a mixture of loan agreements and share issues totalling around

£6bn.

The final piece in this complicated financial jigsaw should be a £750m international share sale in July which for the first time will be open to the British and French public.

Eurotumnel recognises it has a lot of work to do if it is to recapture the ground it lost last year when, after a series of unfortunate delays, it struggled last October to raise £206m in an international share placing.

placing.

During the placing a number of leading British pension funds questioned the viability of the project. Many believed the venture was too risky and that the rate of return being offered was too low, given that the first dividends would not be paid

overcome some of these reservations if this summer's public offer for sale is to succeed.
Falinre could jeopardise loan and standby credit agreements for up to £5bn with around 40 international banks.

Eurotunnel is currently pre-paring plans to underwrite the summer issue. It has also strengthened its board with the strengthened its board with the arrival, as a non-executive director, of Sir Nigel Broackes chairman of Trafalgar House, the shipping, construction, property and hotels group.

Sir Nigel was the driving force behind EuroRoute, a rival consortium, whose plans to cross the Channel by a combination of a bridge and tunnels, was pipped by Eurotunnel a year ago. He has been given the task of helping to raise Eurotunnel's profile and to help steer the consortium through the next few difficult months.

On the political front things appear to be running more major changes are experientees be made during the Committee stages in the Commons although the debate over safety

Andrew Taylor